

NEWS SUMMARY

GENERAL
Tories suffer 4 defeats in Lords
The Government was defeated four times in a row in the House of Lords yesterday when bishops, Tory peers and Opposition joined forces to push through amendments to the Housing Bill.
The first defeat came on a clause which would have obliged landlords to sell houses normally let to pensioners.
It is only the second time this session that the Government has lost a division in the Lords. *Parliament, Page 9.*

Arab shot dead
Former Syrian premier Salah Eddin al-Bitar, an opponent of the present Syrian Government, was shot dead by a lone gunman in a Paris office. *Page 3.*

Palestine rights
West Germany wants the EEC to prepare a joint resolution for today's UN general assembly emergency session on the Middle East, supporting Palestinian rights. *Page 2.*

Whaling ban call
International Whaling Commission's technical committee voted in Brighton to ban all commercial whaling. *Page 6.*

BSC man fined
BSC manager James Ritchie has been fined £750 and given a suspended sentence for accepting bribes from the BSC official from Southampton to back corrupt players. *Page 27.*

U.S. actors strike
The 37,000 strong U.S. Screen Actors Guild called a strike which could paralyse the major film studios. The guild wants a 45 per cent pay rise.

Minister resigns
Turkish Interior Minister Mustafa Guluzit resigned after a week of political violence in which a former premier and an MP were killed.

Polish pay rise
Warsaw's newspaper delivery men were quickly awarded a 20 per cent (114) pay rise after they struck for six hours. Poland on a tightrope. *Page 18.*

Kabul clampdown
Afghan President Babrak Karmal is tightening his control of the Government and has set up several new departments under his direct control. *Page 3.*

Doc remanded
Soccer manager Tommy Docherty, 52, was remanded on bail at Bow Street court, London, on two summonses alleging perjury in the High Court.

Fuel bill plea
Government told offices, shops and factories to reduce heating this winter to cut Britain's fuel bill. Maximum temperature allowed will be 19C (66F). *Page 6.*

Northants win
Northamptonshire won the Benson and Hedges Cup Final at Lords by six runs. Northants - 209 all out (54.5 overs). Essex - 203 for 8 (55 overs).

Briefly...
Tate Gallery paid £8,500 for letters between the Bloomsbury Group artists. *Page 6.*
Work began on a £1.5m Olympic village for paraplegics in Aylesbury, Bucks.
Libya said its fighter aircraft crashed in Italy because the pilot had a heart attack.

CHIEF PRICE CHANGES YESTERDAY
(Prices in pence unless otherwise indicated)

RISES		FALLS	
Treasury 00-03	1107 + 2	Anglo Amer. Crpn	638 + 23
Exchq. 12pc	13-17.1100 + 1	De Beers Ltd.	428 + 12
Alexanders Discnt	257 + 3	EZ Inds.	340 + 20
Alfred Intd. Dgnrs.	31 + 7	Impala Platinum	318 + 44
Bibby (J.)	193 + 6	FALLS	
Bullough	182 + 12	Country & District	280 - 10
GUS A.	448 + 8	Dowdy	78 - 4
Hawthorn Leslie	117 + 6	Lambert Howarth	41 - 3
Initial Services	160 + 10	North (W.E.)	121 - 2
Joseph (L.)	190 + 20	Silentnight	36 - 8
St. British Props.	151 + 8	Southern	423 - 15
RKC	182 + 8	Westcliff	120 - 5
Sheep Co.	192 + 15	Westward TV	191 - 21
Stand. Telephones	412 + 18	Whitbread A	163 - 6
Stirling Inds.	34 + 4	Yule Cato	97 - 13
Taylor Woodrow	456 + 10	Strata Oil	152 - 13
Tube Inva.	296 + 6	Esperance Minrs.	290 - 36
Wearwell	57 + 3	Greenvale Mining	350 - 38
Candeca	200 + 8	Hanna Gold	182 - 19
Carless Capet	195 + 13	N. West. Mining	163 - 16

Government to end monopoly in electricity supply

BY RICHARD EVANS AND MARTIN DICKSON

GOVERNMENT plans to breach the State monopoly in the supply of electricity and to inject private capital into State-owned docks were disclosed by Ministers yesterday. The announcements followed confirmation from Sir Keith Joseph, Industry Secretary, that the Post Office is to lose its telecommunications monopoly. The series of announcements, all expected to entail legislation in the next Parliamentary session, underlined Mrs. Thatcher's determination to end State monopoly in as many areas as possible. Sharply increased competition in the public sector was one of the main planks in her election platform. Sir Keith confirmed in his Commons statement that a Bill will be introduced in the autumn splitting the Post Office into posts and telecommunications. It will also allow, over about three years, private companies to compete in the supply of telephones, private exchanges and other telecommunications equipment. Mr. David Howell, Energy Secretary, then said during a Commons debate on nationalised industries that legislation was planned to end the ban on the private production and sale of electricity as a main business. This in effect would end a 71-year State monopoly. Mr. Howell's comments came as a surprise to MPs and the immediate reaction at Westminster was that it was a declaration of principle rather than an indication that the role of the Central Electricity Generating Board (CEGB) would be affected significantly. The pledge from Mr. Howell was: "It is our intention to remove the statutory prohibition on the generation of electricity as a main business and to do so as soon as a suitable legislative opportunity arises." Mr. Howell is known to be among the Cabinet's keenest exponents of denationalisation. His remarks suggest that in theory anyone would be allowed to set up in business in competition with the nationalised electricity supply industry. But the practical effects of this are likely to be small. Existing legislation allows companies to generate electricity for their own use and sell any excess to private customers or to the national grid—provided this is not the main purpose of their business. Many companies, notably those in the chemicals sector, do produce their own electricity. Private generation accounts for 17 per cent of the electricity used in the industrial sector. The high capital costs of setting up a generating station make it unlikely that many businessmen will be tempted to set up in competition with the nationalised industry. Nevertheless, the plan does inject a new element of competition into the sector. Ministers are concerned about the efficiency of the CEGB, responsible for the bulk supply of power in England and Wales, which has no direct contact with the consumer, and the Government recently ordered the Monopolies and Mergers Commission to conduct an efficiency audit into the CEGB's costs and charges. Any relaxation of the Board's monopoly is likely to be strongly opposed by power workers' unions. Winding up the same debate, Mr. Norman Fowler, Transport Minister, said: "The Government is committed to the principle of competition in the electricity supply industry." *Continued on Back Page*

Khomeini denounces Iran 'unrevolutionary' leaders

BY PATRICK COCKBURN IN TEHRAN

AN ANGRY SPEECH by Ayatollah Khomeini, in which he accused the Iranian Government of being unrevolutionary and incompetent, has placed in doubt the future of President Abolhasan Bani-Sadr. Khomeini's speech also appeared to jeopardise the new Cabinet which the President is due to propose to Parliament. "Non-revolutionary" people should not head ministries, and Mr. Bani-Sadr must not propose them to Parliament, he said. "If he does, Parliament should reject them, pay no attention to them, unless such Ministers are efficient, Islamic, attentive and revolutionary." His speech was bitterly critical of gentlemen who have been trained in Europe, and opens the door for a more zealously clerical and Islamic Government. He returned to his theme of the revolution betrayed by its leaders. It was the strongest attack yet on Iran's Western-educated technocrats and Government and may signal a further retreat into Islamic fundamentalism. Mr. Bani-Sadr and his Government have been one of the few remaining links between revolutionary Iran and the West, over such crucial issues as the fate of the American hostages, sale of oil, and remaining trade links. Khomeini's criticism was not directed solely, or even primarily, at Mr. Bani-Sadr, but at Government leaders in general. "Our judiciary, our army, all our organisations, are in trouble," he said. The solution to these problems was to call for greater authority for the "revolutionary institutions", the revolutionary guards, revolutionary courts and the omnipresent "committees." Until the speech, late on Sunday night, Mr. Hassan Habibi, Cultural and Higher Education Minister and spokesman for the ruling Revolutionary Council, was tipped as most likely choice as Prime Minister, to be nominated in the next few days. Mr. Habibi was supported by the militant clergy of the Islamic Republican Party in January's Presidential election. A member of the Revolutionary Council, he is well placed as a compromise candidate whose nomination could be agreed by both the party and Mr. Bani-Sadr, who are locked in a bitter struggle for power. Negotiations between Mr. Bani-Sadr and Ayatollah Beheshti, leader of the party, which has a majority in Parliament, have led to a measure of agreement on the new Cabinet. The Khomeini speech, however, with its bitter criticism of "gentlemen trained in Europe," opens the door for a more zealously clerical and Islamic nominee. Other candidates for the Premiership include Mr. Mohamad Ali Rajai, Education Minister; Mr. Mustapha Mir Salim, Deputy Interior Minister and national police chief; Mr. Musa Kalantari, Road Transport Minister; and Nouralein Gharavi, Governor of East Azerbaijan. *Continued on Back Page*

Record increase in borrowing

BY DAVID MARSH

BRITISH industry increased its borrowings by a record figure of over £3.5bn in the first three months of this year. This reflected the sharp squeeze on the real level of profits caused by high inflation and flagging demand. Heavy corporate borrowing, particularly to finance high stock levels, was one of the main reasons behind the over-shooting of the Government's money supply targets in the early part of the year. Industry now appears to have shed a large part of its excess stocks. But its financial position is unlikely to have improved significantly now that the full force of recession is biting into profits, particularly in the manufacturing sector. According to Central Statistical Office figures published yesterday, industry's net borrowing requirement during the first quarter rose to a seasonally adjusted £3.5bn, from £1.1bn in the last three months of 1979. The figure is subject to revision later, but the trend is clear. Borrowing from the banks roughly doubled to £1.87bn, while loans from other sources were also up sharply to £703m. Companies additionally sold for cash around £1bn of liquid and other financial assets. The other main statistic used by the CSO to measure the financial health of industry is the net movement in industrial and commercial companies' financial assets. This shows a somewhat less gloomy picture, with industry's financial deficit on this basis falling to £754m in the first quarter from £1.67bn during the last three months of last year. Part of the difference between the figures for the net borrowing requirement and the financial deficit arises because of an increase of around £1.4bn in companies' lending for trade credits and other purposes. The figures for the financial deficit understate the full extent of industry's plight because of the inclusion of the North Sea oil sector, whose profits are now improving rapidly. *Lex, Back Page*

France offers Mirage to India

By K. K. Sharma in New Delhi

France has offered India rights to manufacture under licence its most sophisticated aircraft, the Mirage 2000 interceptor, as part of a \$22bn defence package. Disclosure of details of the French offer confirms suspicions that the Indian Government has had second thoughts about its \$1bn deal to buy Jaguar aircraft from British Aerospace. The Jaguar deal has been the subject of controversy since it was signed in November 1978. But in Parliament at the weekend, Mrs. Gandhi, India's Prime Minister, insisted that she had not reached a final decision about the French offer. A decision to alter "the scope and the range" of the Jaguar contract could cost British Aerospace £450m, even after payment by India of up to \$50m compensation. India is not expected to cancel its order for 40 Jaguars to be made in Britain, but it may alter plans to manufacture a further 120 aircraft at the government-owned Hindustan Aeronautics in Bangalore, perhaps trimming the order to 45. The French offer is considered unsatisfactory by many Indian defence experts, largely because the Mirage 2000 does not offer a strike range as long as that of the Jaguar. To make good the deficiency the Indian air force will face if it revokes the Jaguar deal, France has offered to buy two squadrons of second-hand Mirage F-1s from a Middle East country and supply them immediately to India. Manufacture of the Mirage 2000 cannot begin in India before 1985. So far there are only four prototypes of the aircraft in France, and the plane has still to go through full trials and evaluation tests. Only after these are completed can the French consider putting the Mirage 2000 into service, and help Hindustan Aeronautics build what would by then be an entirely new aircraft. To answer Indian concern over underuse of capacity at Hindustan Aeronautics, France has also offered to buy £1m-worth of spares and components for the Alouette helicopter, made under licence at Bangalore. France has also offered the Mirage 2000 to Pakistan which will probably buy it. *Continued on Back Page*

U.S. concedes \$61bn likely budget deficit

BY DAVID BUCHAN IN WASHINGTON

ECONOMIC RECESSION will push the U.S. Federal budget into a \$61bn deficit in the current year and \$308bn in the year starting on October 1, the Carter Administration formally conceded yesterday. The mid-year economic review sent to Congress marked a dramatic turnaround from the Administration's projection of last March of a \$36bn deficit for 1979-80 and a balanced 1980-81 budget. The gloomy news, which had been extensively leaked beforehand to soften the political impact on the Presidential election campaign, included the projection that real gross national product will fall by 3.1 per cent from the fourth quarter of 1979 to the last quarter of this year, and that unemployment will rise to 8.5 per cent in the fourth 1980 quarter, sticking there through 1981. The March projection had been that the jobs rate would reach 7.1 per cent this year. "These economic prospects are not acceptable to the Administration," Mr. James McIntyre, the budget director, told a Press conference. He made clear the sensitivity of the White House to having so poor an outlook to announce just as Mr. Carter's campaign gets under way against Mr. Ronald Reagan, the Republican nominee. But the Administration is refusing to match the Republican tax cut plan with one of its own. "It is quite likely that a tax cut will be desirable in 1981. But it is not appropriate to propose one now," Mr. McIntyre said. Mr. Charles Schultz, chairman of the President's council of economic advisers, declared yesterday that the economy will soon begin a slow recovery. Signs of this were apparent even in June, the last month of the second 1980 quarter which showed a real drop in gross national product of 0.1 per cent at an annual rate. The new forecast is for it to rise by a real 2.6 per cent from the fourth quarter of this year to the last quarter of 1981. "The burbled atmosphere of the tail end of an election year congressional session" was the right forum to fashion a careful tax cut that would stimulate productivity without setting inflation afire again, he said. On inflation, the Administration now forecasts a 12 per cent rise in consumer prices for the fourth quarter of 1979 to the fourth quarter of 1980, and a 9.8 per cent increase in 1981. This implied — and Mr. Schultz emphasised that this is the Administration's prime goal — a further moderation in inflation in July-December this year to an 8.5-8.75 per cent annual rate.

Morgan Guaranty cuts prime rate to 11%

BY IAN HARGREAVES IN NEW YORK

MORGAN GUARANTY, the large New York bank, yesterday cut its prime lending rate from 11.5 per cent to 11 per cent. The move was not immediately followed by other New York banks, but was expected to be matched later in the week. The 11 per cent rate is 9 per cent points lower than the prime's mid-April peak. A steady decline has occurred since then as the U.S. economy has slipped into a steep recession. Opinion now appears mixed on the prospects for further cuts in prime rates as some economists argue that the economy is already emerging from its trough. This view appears to be shared by a stock market which ended last week at a three-year peak. Concern among economists centres on the ability of the Federal Reserve Board to meet its targets on monetary growth this year without signalling tolerance for a renewed spate of inflationary pressure in the U.S. In the money markets yesterday, there was again speculation that the Fed was encouraging a further downward move in rates, but the evidence was far from conclusive. Rates showed little change in morning trading.

£ in New York

	July 18	Previous
Spot	154.3775-3785	152.3770-3780
1 month	152.1-1.7	150.1-1.5
3 months	150.3-1.7	148.3-1.5
12 months	148.5-1.5	146.5-1.5

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EUROPEAN NEWS

W. GERMANY WANTS COMMUNITY TO DRAFT UN RESOLUTION

EEC declaration on Mideast urged

BY ROGER BOYES IN BONN

WEST GERMANY is expected to press other EEC governments this week to draft a United Nations resolution which would set out unambiguously Europe's position on achieving peace in the Middle East. This, Bonn officials believe, could avert a clash with the U.S. and Arab countries at the UN later this summer.

Herr Hans Dietrich Genscher, West Germany's Foreign Minister, is believed to have outlined such a proposal during talks yesterday with Mr. Cheddi K. K. Sharma, general secretary of the Arab League. Mr. Klibi also met Mr. Gaston Thorn, Luxem-

bourg's Foreign Minister, who, as president of the Council of Ministers, is to tour the Middle East this summer on an EEC fact-finding mission.

Bonn officials believe there is a strong case for a UN resolution that would set out the principles agreed at the European summit in Venice last month. Among other things, this provided for a role for the Palestine Liberation Organisation (PLO) in Middle East peace talks.

West Germans fear that the Arab states, who are pressing for a special assembly on the Middle East, will introduce a

resolution condemning the Camp David agreement. The Europeans would have to oppose such a resolution both out of conviction and out of loyalty to the U.S. Such opposition, however, could harm links with the Arab states precisely at the time when Mr. Thorn is launching his mission in the Middle East.

A European resolution would thus underline EEC interest in a Middle East solution involving the Palestinians, but at the same time side step any direct criticism of the Camp David accord.

Herr Genscher will sound out

other EEC Foreign Ministers on this issue and discuss the general framework of the Thorn mission during Community consultations today. The West Germans would like to see Mr. Thorn first visit Tunis, headquarters of the Arab League, and then go to Israel as well as a number of Arab countries, ending his trip with relatively low-key talks with the PLO.

Preparations for the Thorn mission have been more complicated than was foreseen at the Venice summit and there appears to be no final decision yet on which countries Mr. Thorn should visit.

Duesseldorf talks on Soviet gas

By Roger Boyes in Bonn

THE SOVIET UNION today starts preliminary negotiations with Ruhrgas, the West German gas distributor, on the details of a DM 15bn-DM 20bn (£3.75bn-£5bn) gas link-up between Eastern and Western Europe.

Mr. Nikolai Osipov, director-general of the Soviet gas exporting agency arrived in Duesseldorf yesterday and will try to settle with the West Germans how much natural gas can be sold to the West. The Soviet Union is believed ready to deliver 40 billion cubic metres annually to West Germany, Italy, Austria, France, Belgium, and the Netherlands. West Germany would receive 10 billion cubic metres.

First sign

Moscow indicated its willingness to go ahead with negotiations during Chancellor Helmut Schmidt's visit there earlier this month. The project involves building a pipeline to Western Europe from Siberian gas fields in return for deliveries of Soviet gas. Exploratory talks have been continuing since 1978, but Herr Schmidt's visit provided the first public indication that Moscow was prepared to move on to negotiations with the Ruhrgas consortium.

An agreement would mean that Soviet gas deliveries to West Germany would effectively be doubled in the mid-1980s to over 20 billion cubic metres a year, about 30 per cent of the country's gas needs. The Bonn Cabinet has already said that this degree of dependence is acceptable politically.

Negotiations are clearly not going to be easy. Ruhrgas will have to take into account the needs of the other West European gas distributors and may find that Russian hopes for a new gas distribution network in remote parts of Siberia are too high.

The giant engineering group, Mannesmann, which is expected to have overall responsibility for pipe deliveries, is also pressing for the best possible credit terms with the Russians. It is understood that the pipes will not fall under NATO's Comcon list of banned exports, as was originally feared.

Political will

Although the negotiations are expected to continue for several more months yet, the political will appears to be there. The project, which could be the biggest business deal between East and West Europe, underlies the interdependence which has been one of the sustaining forces of Bonn's foreign policy.

For Bonn, it illustrates the Chancellor's contention that talking to Moscow during East-West crises can bring concrete results. For Moscow, the project demonstrates that its room for economic manoeuvre has not been seriously curtailed by U.S. trade sanctions.

Steel and textiles prices head Council of Ministers' agenda

BY GILES MERRITT IN BRUSSELS

THE INDUSTRIAL and trade problems now pressing in on the European Community, as the international recession deepens, are due to be the main topics of the EEC Council of Ministers in Brussels today.

Action on steel and textiles prices will head the Foreign Ministers' agenda while trade issues will cover the EEC's increasingly difficult trade relations with the U.S. and Japan. On steel, where slumping demand has been putting heavy pressure on the European producers' willingness to maintain price and delivery discipline, the Council is due to agree to the anti-price plans continuing during the second half of this year. That decision had been due last month, but was postponed by talks inside the industry over possible revisions of the Davignon Plan, named after Industry Commissioner Viscount Etienne Davignon.

Following a meeting at the end of last week, of the European "club" grouping the main producers, the threat that the Plan would be abandoned by the steelmakers appears to have receded. Today's Council meeting is therefore expected to yield agreement on a tightening of the disciplines, with the aim of cutting output in the EEC by 10 per cent in the second half of this year as against the same 1979 period.

The exact nature of the revised Davignon Plan is still unclear, as Ministers are also to discuss proposals that mandatory prices on hot rolled coil should be dropped in favour of a monitoring procedure.

On the equally controversial issue of the damage being done to the EEC synthetic textiles industry by U.S. competition, the EEC Foreign Ministers are to examine a new French pro-

posal for a trigger price mechanism that could offset the advantage to American producers of U.S. oil and gas price controls. The "unfair" advantage that this gives the U.S. industry has been the subject of continuing negotiations throughout this year, although to date no agreement has been possible.

Foreign Ministers are also due to review the "trade strategy" recently outlined by the Brussels Commission for putting EEC-Japan trade on a new and more structured basis. This would involve the abolition of various national quotas against Japan in return for temporary restraint by Japanese industry on sensitive products where EEC industries are being restructured. The Council is expected to discuss strong French and Italian objections to dropping their existing defences.

Malta to start search for offshore oil

By Godfrey Grima in Valletta

MALTA is to start drilling for oil off its southern coast despite the absence of agreement with Libya on the extent of each country's jurisdiction in the area.

Mr. Dom Mintoff, the Maltese Prime Minister, said Malta will carry out its drilling 15 miles from the disputed area. Three international oil companies licensed to carry out the work—Texaco, Elf Aquitaine and Amoco—have already been given the go-ahead.

So far there has been no reaction from Libya but Mr. Mintoff said at the weekend that all agreements with Libya, including a "temporary" defence agreement, would not be renewed, at least until the offshore oil issue is settled.

Yugoslavia cuts growth target this year to 4%

BY ALEXANDER LEBL IN BELGRADE

YUGOSLAVIA'S FEDERAL Parliament has reduced this year's growth target to 4 per cent from 5 per cent, reflecting policies already in force aimed at cooling the economy and diverting goods to export markets to take advantage of last month's dinar devaluation.

Industrial production has slowed to 4.5 per cent over the first half compared with over 7 per cent last year, and in June was only 2.4 per cent above the June 1979 figure. The growth target for industrial production for 1980 as a whole has been trimmed to 4.5 per cent from 6 per cent originally.

Export volume in the first half rose 12 per cent, while import volume was down 11 per cent. In the same period, in price terms, exports rose 32

per cent while imports rose 8 per cent.

Significantly, however, the major increase in exports went to the Soviet Union and other Comecon countries while little progress has been made on reducing the trade deficit with the West. The overall target is to have the balance of payments deficit this year to around \$2bn (£542m).

Retail price inflation, meanwhile, rose to 28.9 per cent in June compared with June 1979, and delegates to the Federal Parliament expressed fears that the inflation rate might reach 40 per cent later this year. The Government recently raised agricultural producer prices to stimulate the farm sector, and petrol prices have also been raised again in 21 dinars (33p) per litre.

Minister quits Demirel Cabinet

BY OUR ANKARA CORRESPONDENT

THE TURKISH Interior Minister, Mr. Mustafa Gulcu, resigned yesterday in the wake of a new wave of assassinations and riots in Turkey. A curt statement from the office of Mr. Suleyman Demirel, the Prime Minister, said Mr. Gulcu's resignation had been accepted and that Mr. Orhan Eren, a Minister of State, was named acting Interior Minister.

The political crisis occurs just when Western member nations of the Organisation for Economic Co-operation and Development (OECD) are about to meet to discuss rescheduling \$3bn of Turkey's debt.

Mr. Gulcu received treatment for a heart ailment in a London clinic recently and

there were reports that he was thinking of resigning for health reasons. But it is believed that Mr. Demirel demanded his resignation. The Minister has been under attack from both his party and Mr. Bulent Ecevit, the main opposition leader, for his handling of law and order.

Mr. Ecevit tabled a censure motion against the 63-year-old politician for his handling of the riots in the town of Corum earlier this month in which nearly 30 people died. The motion could have been very embarrassing for Mr. Demirel's minority Government.

Earlier this month the Prime Minister was reported to be considering a Cabinet reshuffle. However, he has been forced

to put off these plans apparently because of the sharp deterioration in law and order, which reached a climax with the assassination at the weekend of Mr. Nihat Erim, a former Prime Minister, in Istanbul.

Despite a call by Mr. Ecevit yesterday that a "wide-based" government be formed to repair Turkey, Mr. Demirel appears determined to soldier on.

The Turkish Parliament meets tomorrow to debate the political terrorism which Mr. Ecevit says has brought Turkey to the brink of civil war. The following day Mr. Demirel and Mr. Ecevit are to meet to try to reconcile their views on restoring law and order.

Industrial output up 4.2% in USSR

By David Satter in Moscow

THE SOVIET economy, which has given signs of running down, turned in an improved industrial performance in the first half of this year compared with the comparable period of 1979 but continued to be plagued by critical shortfalls in meat and dairy production.

Figures released yesterday in Pravda, the Communist party newspaper, showed industrial production to have increased by 4.2 per cent. This was short of the target for 1980 of 4.5 per cent but an improvement over industrial output the first half of 1979 which came to only 3.5 per cent.

Industrial labour productivity, increases in which were to have accounted for almost all the rise in output in the 1976-80 five-year plan period, grew by 3.2 per cent, compared with a 3.8 per cent plan target. But this was also better than the equivalent figure for 1979 which was 2.5 per cent.

The mid recovery in production in comparison with last year, the worst for the Soviet economy since the Second World War, was partially offset by continuing problems with food production.

Milk output fell 4.4 per cent in the first half, the lowest since 1975, and butter production was down 6 per cent as milk supplies were apparently diverted to make cheese, which declined only 1 per cent.

The state sector meat production rose 3 per cent during the first half of 1980 but this figure probably reflects the distress slaughtering of cattle in January and February in the wake of the U.S. grain embargo. The figure also does not include private meat production on family plots, which account for 30 per cent of Soviet consumption.

In other areas, the Soviet economy achieved slight rises in volume terms in the production of iron and steel but continued to show a decline in the rate of increase of oil production, which went up only 3 per cent to 297m tonnes.

Coal production fell 1 per cent to 362m tonnes but gas remained strong, rising 7 per cent to 214bn cubic metres.

Swedish trade moves into deficit

By Westerly Christner in Stockholm

SWEDEN showed a balance of trade deficit of SKr 6bn (£163m) for the first half of this year, one of the highest recorded. That figure compared with the surplus of SKr 600m for the same period in 1979.

The deficit was attributed both to the substantial decline of Swedish exports during the general labour strikes in May and to higher than expected energy imports, according to the Central Bureau of Statistics.

From January to June, crude oil imports cost SKr 9bn compared to SKr 3.7bn in the same period last year. The cost of all products, coal and coke imports for the period rose to SKr 7.5bn.

For June, the trade deficit reached SKr 900m, compared to a surplus the same month last year of SKr 140m, the statistics show.

Exports during June amounted to SKr 11.9bn, while imports totalled SKr 12.8bn, of which SKr 2.8bn was accounted for by crude oil, oil products, coal and coke imports.

MRS. GANDHI FACES FORMIDABLE POLICY PROBLEMS

Monsoons give hope to ailing Indian economy

BY K. K. SHARMA IN NEW DELHI

MRS. INDIRA GANDHI, India's Prime Minister, can draw comfort from the monsoon rains now pouring down on the whole country. After last year's drought, another bad monsoon would be a calamity.

If the rains continue for the rest of the season, India's economic planners will be aiming for 5.5 per cent growth in the year ahead—the target ambitiously set by Mrs. Gandhi. The rains by themselves are not enough to transform India's economic performance, though they are crucially important in the agricultural country. A lack of decisive policymaking at the top, particularly over economy strategy will almost surely hold back public and private investment decisions.

To be sure, decision-making is not easy, because of the disastrous year the economy went through in 1979-80, the effects of which are still being deeply felt. The drought led to a 10 per cent fall in agricultural production. Foodgrain production fell by almost 23 per cent, from 126m tonnes to an estimated 110m tonnes.

Infrastructural bottlenecks, particularly to the ports, the railways and in the coal mining industry, were aggravated by the drought. Cuts in power supply to factories hit industrial output, and left many companies with unused capacity.

The overall result was a drop in the gross national product (GNP) of as much as 3 per cent.

A gloomy international economic climate has aggravated problems further, turning the terms of trade against India because of the staggering cost of imported oil. This made such a severe dent in the balance of trade that the annual deficit soared to over \$3bn in 1979-80, bringing the foreign exchange reserves down for the first time in four years and forcing the Government to appeal to the International Monetary Fund for help.

The reserves have been eroded but are still at a comfortable \$6bn. As oil prices increase, however, and India continues with its relatively liberal import policy, the reserves are certain to be drawn down rapidly. Food stocks are healthy at around 18m tonnes, so grain imports are not needed. Even so, the reserves could dwindle to a dangerously low level within two years.

As it is, foreign aid commitments are well below expectations. The recent Paris meeting of the Aid to India Consortium pledged \$3.3bn for 1980-81, but in real terms this is well below the commitments made last year. Since Mrs. Gandhi's recent first budget lean heavily on foreign aid for revenue purposes, this could cause problems, possibly already been taken before San-

curbing heavy public investments that are needed to put the economy on the path of renewed growth.

There is little sign of any deliberate or concerted move towards planned management of the economy.

The announcement that foreign oil companies will be allowed to take part in India's oil exploration programme should have meant a positive change in the attitude towards foreign investment. In fact, this is probably no more than recognition that India cannot by itself make the heavy investments needed for exploration and must look to foreign help if it is to cope with its oil and balance of payments crisis.

Foreign companies are instead waiting for outstanding decisions on the application of the Foreign Exchange Regulation Act (FERA) on established multinationals before they invest. They are keeping a particularly close eye on Hindustan

The announcement that foreign oil companies will be allowed to take part in India's oil exploration programme should have meant a positive change in attitude towards foreign investment. In fact, this is probably no more than recognition that India cannot by itself make the heavy investments needed for exploration

Lever and Seimens, which want to retain their foreign majority holding and have presented solid arguments in support of their claims.

There are growing signs that officials believe investment through commercial borrowings abroad, the desirable for projects with a long gestation period. But there is no indication that direct foreign investment will be welcome except in high technology areas.

It is possible that if Mr. Sanjay Gandhi had his way, then he would have refused to allow ideological quibbles to come in the way of economic development. He wanted quick action, and seemed prepared to take difficult decisions even if they proved to be unpopular.

His death was undoubtedly caused much unhappiness in the private sector that he was thought to support strongly. Mrs. Gandhi's views on the private sector are much less certain, and it remains to be seen what direction her economic policy will take.

Some difficult decisions had already been taken before San-

Sanjay Gandhi: His death has caused uncertainty in private industry

Jay's death. A number of subsidies were eliminated, lifting a heavy burden from the Exchequer. Prices of petroleum products and fertilisers have been raised for the first time in four years, raising another \$250m and thereby ending the railway's dependence on the general revenues.

These are signs of a political will to take unpopular decisions although subsidies on food and exports remain for political reasons. Because of the need to improve the balance of payments the recent Budget gave many concessions and incentives to the private sector.

Much more remains to be done, however, especially if inflation, which is rising at an alarming 20 per cent a year, is to be controlled. Indeed, inflation has inhibited decisions on investment even though the Finance Minister risked further pressure on prices by leaving a hefty Rs 14bn deficit in his budget.

Because of high inflation and the uncertain prospects of the monsoon, which has two months to go, and can still easily go awry, the Planning Commission responsible for all major Government investment has retreated into a holding operation.

Mrs. Gandhi has decreed that there will not be a "plan holiday," so nominally the new six-year plan has already started, even though a draft is not yet ready.

The Planning Commission is at present doing no more than keep going projects under implementation until it is known whether inflationary forces are under control and the monsoon lives up to its initial promise. This is evident from the fact that the 16.5 per cent increase in development outlay this year is, in real terms, less than 1979 because of the 20 per cent inflation rate.

A number of factors have conspired to delay formulation of an overall economic strategy. Mrs. Gandhi's preoccupation with political manoeuvring has ended after six months in power, but the vacuum created by Sanjay's death has still to be filled. Until it is, the civil service will remain reluctant to take fresh initiatives.

The feeling in New Delhi is that shortcomings highlighted by last year's dismal economic performance must be tackled before fresh initiatives are taken. Policy statements can be cast to the wind until electricity generation improves and the transport and other infrastructural bottlenecks are removed. Unless these hurdles are crossed, even the Government admits the economy faces another difficult year.

Anarchy and terrorism raise fear of civil war in Turkey

BY METIN MUNIR IN ANKARA

THE ASSASSINATION of Mr. Nihat Erim, a former Prime Minister, in Istanbul over the weekend provided Turkey with a grim opportunity to contemplate on terror which has claimed well over a thousand lives this year alone.

According to some opposition leaders, it is threatening Turkey with civil war. Mr. Ihsan Sabri Caglayangil, the acting President, was expected to call a meeting of party leaders this week in the hope that they adopt a common line on law and order.

This deterioration is mirrored in the ever growing disrespect for the law of central government and the springing up of so-called "liberated zones"—effectively no-go areas, where right and left wing factions fight to take advantage of the vacuum left by the State.

One such place, in the hands of the left, is the town of Fatsa, a fishing port on the Black Sea also noted for its bazel runs. It is about 350 miles north east of Ankara and has a population of 30,000.

Troops laid siege on Fatsa before daybreak ten days ago to break up what Mr. Suleyman Demirel's right wing govern-

ment claimed was one such "liberated zone" imposed on the population by extreme left-wing Dev Yol (revolutionary way) militants.

A curfew was declared from the town's minarets. At daylight armed policemen, assisted by masked informers, started a house-to-house search. They encountered no resistance. More than 400 people, most of them teenagers, were dragged from their homes and loaded into lorries to be taken for interrogation to the state-owned Fish and Meat Authority's warehouses and slaughter Houses by the sea.

Mr. Fikri Sonmez, the town's elected Mayor, was among the detainees. The Government is silent on his whereabouts, but one non-commissioned officer said he was knived and beaten by the police who captured him. He is allegedly lying in a coma in one of the Meat and Fish Authority's buildings.

In "liberated" places state organs are inefficient or non-existent. Kaimakams (district governors), police chiefs, judges, prosecutors, teachers and the like are often obliged to do what they are told or face the consequences.



State authority is to a large extent exercised by whatever group has done the liberating. The citizens are almost captives of armed terrorist bands. Opponents are either subdued or forced to leave or murdered. Many murders are committed in broad daylight in crowded places. The murderers have little fear because they know that nobody would dare stand witness against them, even if the police had the courage to investigate.

Mr. Mahsar Budak, Chairman of the Supreme Board of Judges, said "There is not a single judge in Turkey who has not been threatened." There were more judges resigning for fear of their lives than joining the courts, he said.

While the extreme left is splintered in Turkey the extreme right is loyal to Mr. Alparslan Turkes, Chairman of the ultra right wing Nationalist Action Party (NAP). With 16 members in the 450 member National Assembly, the NAP is Turkey's fourth biggest party. But in reality it is much stronger than its seats would indicate. It is one of two parties which are keeping Mr. Demirel's minority Government in power. In exchange for this support Mr. Demirel appears to have allowed the Turkes militants to become a state within a state.

Mr. Demirel seems to believe that the only way to deal with the spreading power of Communist groups like Dev Yol is to unleash Mr. Turkes's supporters on them.

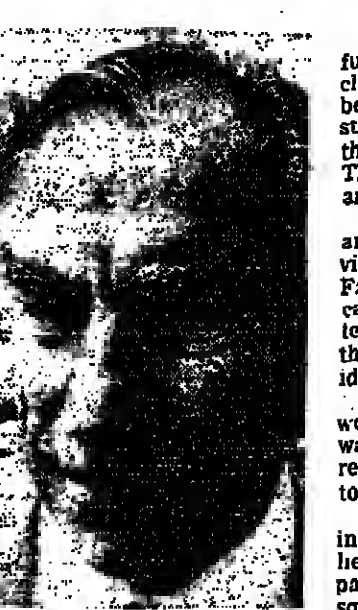
Mr. Bulent Ecevit, the Social Democratic main opposition leader, maintains that the Gov-

ernment is protecting right-wing terrorists and will not move against them. He claims that there are places, like the central Anatolian town of Yozgat, which are under "Fascist occupation."

At least about Yozgat he seems to be right. The town's NAP chief recently told a Turkish newspaper that he had a "secret intelligence organisation of 5,000 people (the town's population is 40,000) assisting the state's security forces."

Fatsa became a "liberated zone" after the municipal elections eight months ago. Backed by Dev Yol, one of the strongest of the many illegal Communist factions in Turkey, Mr. Fikri Sonmez, a 45-year-old tailor, became mayor.

"We won because the people realised that there was nothing the other parties were going to give them," said a Dev Yol lycée student. "The people elected us and were happy with what they got." By independent accounts, Mr. Sonmez is the best mayor the town has ever had.



Mr. Alparslan Turkes

Fatsa agrees with this statement. He increased municipal revenues, built new roads, taxed the rich and cleared the streets of mud and dirt.

"The majority of the people, especially the poor, were happy," he said. "Not everything he did was legal but things were getting done."

On July 2 an incident occurred in a village nearby which heralded the end of the municipality. In a clash at the village square a Dev Yol activist and a non-commissioned officer lost their lives. Barricades went up all over Fatsa and many of its villages. The Black Sea highway going through Fatsa was blocked. It took soldiers 10 hours to travel the 30 kms from the village to Fatsa to claim the body of the soldier. A bulldozer travelled in front of the army lorry, clearing the roads. The army returned in force

a week later. Its presence was sufficient to establish law and order. The Turkish army's impartiality and integrity is beyond dispute. It is probably the last remaining institution in the country which has managed to stay above the terrorism which is splitting the country into enemy camps and sowing the seeds of a civil war.

General Kenan Evren, the Chief of Staff, and his colleagues are gloomy about the decline to anarchy but appear to believe that terrorism must be fought through legal and democratic means.

These means, however, have not proven effective. The army is responsible for law and order in about half of the country where there is martial law. But other state institutions have been so eroded or have become so partisan, the army has been able to achieve little. The undeclared civil war between the left and right, in which the politicians are taking sides, appears to have progressed too far to be stopped.

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مكثان التجهيز

Karmal 'moves to tighten control of Afghanistan'

BY K. K. SHARMA IN NEW DELHI

IR. BALSRAK KARMAL, President of Afghanistan, is attempting to establish a more centralised administration under his own control, according to reports reaching New Delhi. The changes are apparently being initiated with the approval of Afghanistan's Council of Ministers. The council is said to have approved the establishment of several new departments which would be under the direct control of Mr. Karmal. It is not clear, however, whether the changes will bring the Government under closer Russian supervision. Mr. Karmal is widely regarded as a Russian puppet.

Three of the new departments are those dealing with the provinces, labour and social security, and "Islamic teaching." The last is obviously intended to invoke religion to give the Karmal regime respectability in a largely Islamic country. The greater centralisation of power follows a recent conference in Kabul addressed by Mr. Karmal and Sultan Ali Keshtmand, the Deputy Prime Minister. Both sought ways to overcome shortcomings and deficiencies in the administration. Mr. Karmal took up complaints against the bureaucracy

After a recent outbreak of fighting in Lebanon, fears are growing of a return to civil war. President Sarkis has launched plans to avert a further deterioration by asking the country's private armies to join a new administration. Ihsan Hijazi in Beirut assesses the risk the President is taking.



The key figures: (left to right) Mr. Pierre Gemayel, the Phalangist leader, Yassir Arafat of the Palestine Liberation Organisation, Mr. Takkeddin Solh, the new Premier and Mr. Elias Sarkis, Lebanon's President

Bringing the guns into government

PRESIDENT ELIAS SARKIS moved swiftly this week to form a cabinet of national reconciliation with the hope of stopping Lebanon from falling into the abyss.

He designated a veteran politician, the 71-year-old Takkeddin Solh, to head a government which the President hopes will include heads of paramilitary organisations or their representatives who have been wielding real power in the country since the civil war four years ago.

But the consensus here is that even such a cabinet will not be able to resolve the basic conflicts that have beset Lebanon for almost a decade. The Government, however, could carry the country for several months and thus give the President and Lebanese at large a temporary respite.

Mr. Sarkis was taking a big gamble. But this was all he could do. The 22,000-man Lebanese army, which the President restructured after the civil war formally ended in 1976 with Syrian help, is much too weak to bring about a military conclusion to the Lebanese turmoil.

Mr. Sarkis has maintained for a long time that commanders of private armies will act more responsibly inside the Government than outside it. There has been criticism of this logic from other politicians, who say that inviting militia chiefs to join the cabinet would be only to legitimise the power they had virtually taken away from the central government.

Very few believe that by their mere presence in the cabinet,

the combatants would set their differences aside. Concern has already been expressed that if a cabinet of combatants proves to be a failure, the situation could get worse.

Mr. Sarkis, the former banker who managed the Lebanese crisis for the past four years without finding a final solution to it, acted after Lebanon was gripped with a psychosis about renewed large-scale fighting and eventual partition.

The bloody events of last July 7 in the predominantly Christian Districts generated fears the country was on the brink of another civil strife.

On that day, the forces of the Phalangist party, the largest paramilitary Christian organisation in Lebanon, mounted a blitzkrieg against its main Christian ally, the National Liberal Party of former President Camille Chamoun, and suppressed its militia.

Mr. Bachir Gemayel, the 33-year-old Phalangist militia commander, said the purpose of his action was to unify Christian ranks with the aim of "liberating the rest of Lebanon." He further indicated that the target of his next "war of liberation" will be to suppress Palestinian guerrillas and drive them out of Lebanon.

Mr. Gemayel, now the strongest figure on the Christian side, added that when the chips are down, the Christians can raise a force of 40,000.

His statements drew a predictable reaction from Mr. Yassir Arafat, the leader of the Palestinian Liberation Organisation. He accused Bachir Gemayel of collaborating with

Israel in a conspiracy against the Palestinians. Mr. Arafat announced that the executive committee of the Palestine Liberation Organisation has ordered full mobilisation of Palestinians in Lebanon and that the PLO too can muster a force of 40,000.

The Christians, Palestinians and Lebanese Moslems have

Should another civil war break out, the devastation could be total. The danger of Syria and Israel being drawn in is very real.

been strengthening their military ranks and upgrading the level of their armament since the day the civil war subsided.

During the war, the Phalangist party fielded the largest number of combatants who, in cooperation with other Christian forces, fought the Palestinians and their Lebanese Moslem and leftist allies.

During the past five months, the Phalangist Party staged several military parades in which it put some of its heavy hardware on display. Lebanese leftist militias too staged their own parades of

heavy weapons, and Palestinian guerrillas were reported equipped with light tanks.

During his visit to Moscow this week, Mr. Arafat was expected to discuss with Soviet leaders Palestinian requests for more weapons.

Mr. Arafat, furthermore, has served a warning: the fighting in 1980 will not be the same as that witnessed by Lebanon earlier.

Should another civil war break out, the devastation, given the arsenal at the disposal of the combatants, could be total. The danger of Syria and Israel being drawn into it is very real. Syrian and Israeli involvement could, in turn, spark off an all-out Middle East war.

While the 80-year-old Camille Chamoun, leader of the National Liberals, has for the time being retained a link with the Phalangist party, the rank and file in his party are already talking about another round with the Phalangists to regain their lost positions.

Before Mr. Bachir Gemayel could fulfil his ambition of "liberating" Lebanon from the Palestinians he will have to confront the Christians in the north, followers of former President Suleiman Franjeh, who has been trying to persuade Mr. Chamoun to join him in a Christian front to fight the Phalangists. National Liberals in the North have already joined Mr. Franjeh's ranks.

The former President has been locked in a blood feud with the Phalangists since they murdered his eldest son, Tony, two years ago. Furthermore, the infighting

among the Maronite Christians has had adverse repercussions in the Israeli-controlled Christian enclave in Southern Lebanon. Reports from the region said tension has been running high between Phalangists and followers of Mr. Chamoun. Major Saad Haddad, the commander of the Christian forces there, ordered that all party emblems and flags be removed and that only those of his force, which he calls "Free Lebanon Army," be shown. Israel has reportedly sent its own security men dressed in civvies into the enclave to help maintain law and order.

The new deterioration in Lebanon could be dated to last February when Syria decided to disengage from its day-to-day policing of most of the country. The 22,000 Syrian troops who have been here since 1976 as an Arab League deterrent force were redeployed in the Bekaa Valley in eastern Lebanon, and Damascus insisted the Lebanese move towards national reconciliation to end their lingering crisis.

Damascus was growling impatient with lack of progress to resolve the conflict here and needed all of its energies at home to face a campaign by fundamentalists of the Moslem Brotherhood to undermine the regime of President Hafez Assad.

Syrian troops had provided Lebanon with the measure of stability it enjoyed at the end of the civil war. The deterrent force was the only power that could control the private armies and Palestinian guerrillas.

'New Zimbabwe poll' challenge by Smith

SALISBURY — Mr. Ian Smith yesterday challenged Zimbabwe's Government to test its popularity in fresh elections. The former Rhodesian Prime Minister issued the challenge after Senator Joseph Oullevell of the ZANU-PF (Zimbabwe African National Union-Patriotic Front) — which holds 7 seats in the 100-member Parliament — had claimed the whites-only Rhodesian Front was not supported by a majority of the 200,000 white community.

Mr. Smith offered to lead

as Rhodesian Front members

of Parliament in a mass resignation provided all 57 ZANU-PF deputies also sought re-election. His challenge, likely to go unheeded, underlines tensions between the white minority party and followers of Prime Minister Robert Mugabe's ZANU-PF. Hardliners of the ZANU-PF have expressed anger at the constitutional provisions giving whites 20 guaranteed Parliamentary seats, while Rhodesian Front leaders have voiced concern over what they consider to be ZANU-PF's radicalism. Agencies

SASOL-Three construction workers back

About 90 per cent of the 18,000 construction workers at South Africa's SASOL-Three plant returned to work yesterday and the situation was back to normal, a plant official said, AP reports. Construction at the country's third oil-from-coal facility, 120 miles south-east of Johannesburg, stopped last week when 300 workers rioted. The main reason for the unrest was the introduction of new security measures after the recent bomb attacks at our plants, which restricted workers' movements," the official added.

Israeli explosion

An explosion on an Israeli firing range has killed six defence industry employees and injured another, the Defence Ministry said yesterday, our Tel Aviv correspondent reports. The ministry immediately ordered an inquiry to be set up.

Korea 'trade offer'

President Kim Il-Sung of North Korea is willing to begin cultural exchanges with the U.S. and to open trade with South Korea without pre-conditions, U.S. Congressman Stephen Solarz said after a four-day visit to Pyongyang. Reuter reports from Tokyo. President Kim had also dropped his call to repeal anti-Communist laws in South Korea as a condition for reunion of families and exchange of mail, he added.

Gunman kills former Syria Prime Minister in Paris

PARIS — Mr. Salah Eddin Bitar, a former Syrian Prime Minister, was shot dead by a gunman in a Paris office building yesterday, police officials said.

Mr. Bitar, 68, was carrying a North Yemen passport when he was killed, and confusion surrounded his identity at first. The police officials said that Mr. Bitar, a founding member of the Pan-Arab Ba'ath Party, was believed to be an opponent of the present Syrian Government. Mr. Bitar, who was Syrian

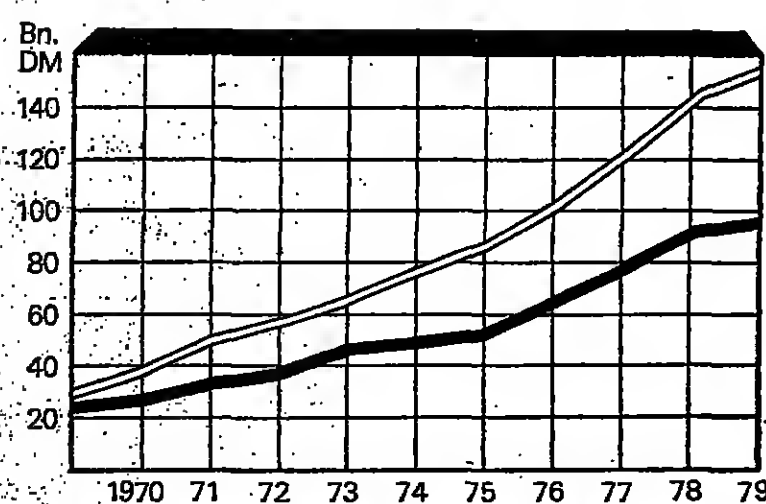
Prime Minister four times in 1963 and 1964, was killed by the gunman as he left a lift on the eighth floor of the building on Paris' Avenue Hoche, near the Arc de Triomphe.

The gunman escaped without being identified.

A policeman at the scene of the shooting said Mr. Bitar had been killed with a single bullet in the back of the neck.

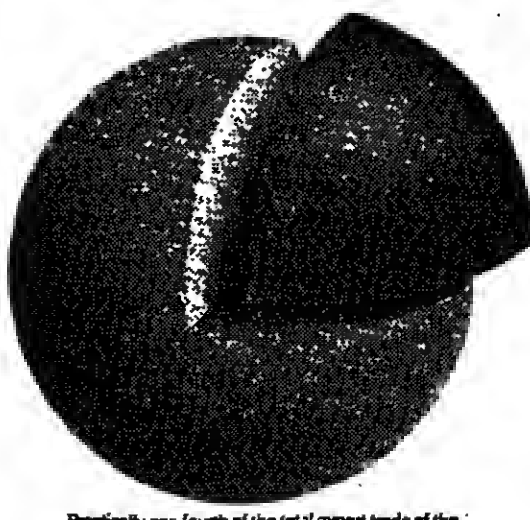
Bystanders who said they were friends of Mr. Bitar said he had felt threatened recently. Agencies

A year's work.



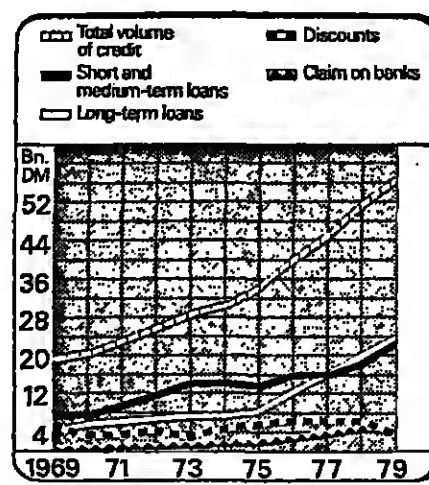
Development of consolidated assets (top) and Deutsche Bank total assets (bottom).

1979



Practically one fourth of the total export trade of the Federal Republic of Germany in 1979 was handled by the Deutsche Bank.

Deutsche Bank



Development of the volume of credit classified in the various credit forms.

Growth somewhat slower and a shift in the balance sheet structure.

During the 1979 business year, Deutsche Bank's total assets rose by 7.2% to DM 98.8 bn. Consolidated assets increased by 8.2% to DM 158 bn.

The year was marked by an appreciable rise in customer demand for credit, whilst, at the same time, it became more difficult and considerably more expensive to procure financing funds. By improving the earnings structure of our domestic and foreign lending business, it was possible to offset the rises in interest rates on deposits and again achieve a higher operating result. The growth on 1978 was 8.9%.

To ensure a steady further development of our business, the bank's capital resources were strengthened in October 1979 by an increase in share capital. This brought the bank new equity capital totalling DM 297 m. Including the allocation of DM 90 m. from

net income for the year, the bank's capital and reserves now amount to DM 4,278 m.

For 1979, our shareholders are again receiving a dividend of DM 9 per share of DM 50. The shares from the capital increase in October 1979 are entitled to half the dividend.

Successful international business.

As one of the world's leading international commercial banks — Deutsche Bank handles the financial side of almost one quarter of the Federal Republic of Germany's overall foreign trade — we have continued to expand our overseas organization. With the official opening of our New York branch and the establishment of new branches in Madrid, Milan and Hong Kong, we are now represented in the world's leading financial centres. All in all, the bank serves its customers through 83 bases in 50 countries and almost

4,000 correspondent banks around the world.

In the international issuing business, Deutsche Bank managed or co-managed more than 100 Eurobond issues in 1979, thereby maintaining its position as one of the major international issuing houses. The biggest borrower was the World Bank with 5 issues for a total of DM 1.35 bn.

Business expansion at our foreign subsidiaries.

Deutsche Bank Compagnie Financière Luxembourg, which is engaged chiefly in international syndicate business, was able to increase its total assets by 17.6% to the equivalent of DM 15.5 bn. After its first full business year, Deutsche Bank (Asia Credit) Ltd. already had a balance sheet volume in the equivalent of DM 1.1 bn. Atlantic Capital Corporation — our investment banking affiliate in New York — increased the scope of its activities, in particular by intensifying its services to Euro-

pean investors in the United States, and participated as underwriter in 211 securities issues.

Brisk credit business with private and corporate clients.

The bank's credit volume increased by 8.5% to a total of DM 57.3 bn. A major factor in this growth was the strong increase in credits to private and corporate customers, particularly in consumer and building loans and in investment credits.

Saving: greater preference for higher-interest investments.

Owing to the changed structure of interest rates, our private customers' attention shifted increasingly towards investment forms with higher yields. Savings certificates in circulation rose to DM 2.3 bn.; the number of savings accounts increased to 5.5 million. Our customers' savings deposits totalled DM 18.9 bn.

Growing interest in securities.

Turnover in our securities business with private and institutional customers came to DM 42.6 bn. in the year under review. The number of securities custody accounts managed for our customers increased by 3.2%.

A bank is only as good as its staff.

In 1979, too, we consistently promoted the training and advanced training of our staff: almost one in ten banking apprentices in the Federal Republic is being trained at Deutsche Bank. Besides this, specialized training was given to almost 15,600 members of staff in 1979 alone at more than 850 advanced training courses. Our number of employees rose last year by 3.6% to 39,081. Owing to the growth of our international business, the number of our staff working abroad increased by 314 to 1,847.

AMERICAN NEWS

Conrail asks for extra \$900m in state funds

By Ian Hargreaves in New York
THE U.S. GOVERNMENT will need to pump at least an additional \$900m (£375m) into the state-controlled Consolidated Rail Corporation (Conrail) to enable it to meet agreed targets in the next five years.

The demand for extra funds, which comes on top of the \$3.8bn already authorised for the ailing north eastern freight and commuter railway since 1976, is made in Conrail's updated five-year plan filed with the Government.

According to the plan, Conrail, which a year ago was advertising itself as a "rail freight system back on the track," will need an extra infusion to help it through a worse-than-expected recession among its key customers, notably the motor industry.

Although the railway reported a reduced loss for the first quarter of 1980, it has continued to lose freight business because of the recession, the continued southward drift of industry and fierce pressure from private sector competitors in some areas.

The Government, which created Conrail out of the ashes of the collapsed Penn Central company in 1976, will now have to decide whether to go along with the company's financial requests or to seek a more radical solution.

With a wave of mergers planned among private sector railways and a Bill to lift some of the tight Government regulations about closure of unprofitable lines now before Congress, the Carter Administration appears more committed than ever to a private sector solution for the country's rail transport problems.

Carter under attack over brother

By Our Washington Correspondent

PRESIDENT JIMMY CARTER is coming under political pressure following revelations that his Administration knew about his brother Billy's links with Libya several weeks before Mr. Billy Carter finally registered formally as an agent of the Tripoli Government.

Senator Robert Dole, a prominent Republican, yesterday claimed that Mr. Billy Carter's ties with Libya—which included a \$230,000 (£92,000) loan—appeared to be "a clear case of influence peddling," and that President Carter should "go public with the entire story, rather than let it dribble out, soiled detail by soiled detail."

The implication has been that Mr. Billy Carter, who was apparently simply told by the White House advisers to get himself a lawyer, was in some way persuaded to make a clean breast of his links with Libya to the Justice Department, thereby ending the case with a civil settlement last week and avoiding criminal prosecution.

Reminiscent of the Vietnam war era, anti-registration groups have sprung up around the country, and are expected to picket many of the 34,000 post offices, at which some 4m young men are supposed to fill in a simple registration form this week.

Failure to register carries a possible fine of up to \$10,000 (£4,200) or a five-year prison sentence. The Government expects that only about 2 per cent

Bolivian military junta pledge to crush resistance
Troops 'taking over mines'

BY MARY HELEN SPOONER IN SANTIAGO



Workers in La Paz dig up cobbles to erect barricades

BOLIVIAN TROOPS were yesterday attempting to take control of the country's state-owned mining complexes south of La Paz, where miners have put up armed resistance to last week's military takeover which ousted the Government of interim President Lidia Gueiler.

According to one report from La Paz, troops successfully occupied one mining area near the town of Siblo XX where militant miners broadcast resistance instructions on clandestine radio stations.

Fighting was also reported in some neighbourhoods in La Paz, despite a 9 pm to 7 am curfew and military patrols stationed in the streets. Residents were reportedly digging up cobbles and erecting barricades during the night, only to have them torn down the following morning by soldiers.

The country's new Interior Minister, Colonel Luis Arce

Gomez, has acknowledged that widespread civil resistance to the military takeover is under way, but said the military would destroy it.

Meanwhile, the leader of Bolivia's new military junta, Gen. Luis Garcia Meza, said the armed forces seized power in order to combat what he called extreme Left terrorism and economic chaos. He said the military would remain in power until Bolivia's social and economic situation had stabilised.

Bolivia's foreign debt is \$3.7bn (£1,550m) and the previous regime of Sra. Gueiler was seeking, with limited success, to renegotiate this debt. The country's foreign creditors are unlikely to renegotiate until Bolivia's political situation has stabilised—which is not likely to occur while the junta is ostracised by the international community.

The Andean Pact nations—Venezuela, Colombia, Peru and Ecuador—are considering a multilateral break in diplomatic relations with Bolivia in protest at the coup.

President Luis Herrera Campins of Venezuela has offered Sra. Gueiler political asylum in his country. The former President has not been located, although several reports say she is in the seat of the Papal Nuncio in La Paz.

The U.S. ambassador to Bolivia, Mr. Marvin Weissman, left the country Sunday, stopping briefly in Santiago, Chile, to confer with his counterpart ambassador, George Landau. Mr. Weissman stated that the U.S. had cut off all aid save humanitarian aid to Bolivia, and that Sra. Gueiler and Sr. Hernan Siles Zuazo, the Leftist candidate who won a majority in the June 29 Presidential elections, were safe and in hiding.

Mexico forced to reduce oil exports

By William Chislett in Mexico City

PEMAX, the Mexican state oil monopoly, has announced that its exports this month will fall behind schedule because of increasing internal demand and problems at the port from where its oil is shipped.

The exact shortfall in Mexico's oil exports has not been revealed by Pemex, but, according to U.S. officials, it could be as much as 100,000 barrels per day. Pemex is currently exporting about 950,000 barrels per day out of a total production of about 2.1m b/d.

Japan, for example, which only recently started to receive Mexican crude, will receive 27,500 b/d this month instead of the programmed 50,000 b/d.

Last year Pemex fell short of its export target by 133,000 b/d because of infrastructural problems, especially at its congested port at Coahuila, which have still not been sorted out.

APDI adds from Singapore: News that Pemex will be reducing its crude oil exports to Japan, had no immediate effect on Far East spot oil dealings; traders in Singapore said yesterday.

One Japanese oil trader here said the reduction would not push Japanese concerns into the spot market to make up the shortfall. He noted that Japanese stockpiles remain high.

Jakarta still angry over UK textile quotas

By Richard Cowper in Jakarta

MR. RADJUS PRAWIRO, Indonesia's Minister for Trade and Co-operatives, at the weekend deplored the EEC decision to limit the country's garment exports to Britain, and reiterated Indonesia's threat to take retaliatory measures.

In recent years the balance of trade between Britain and Indonesia has always been in the UK's favour. For that reason we will respond, with similar retaliatory measures against its exports to Indonesia," he said.

Although some British businessmen in Jakarta have been concerned that contracts they might otherwise have been awarded might be frozen there as yet no signs of any concrete retaliatory action being taken by the Indonesian authorities.

Philippines orders Fokkers

By Charles Batchelor in Amsterdam

THE PHILIPPINES Government has ordered three Fokker F-27 turbo-prop aircraft in the maritime version, for delivery in early 1981.

They will be used for coastal surveillance, the control of off-shore installations, fishery protection and search and rescue. The F-27 came out top in a comparison of a dozen different maritime aircraft, Fokker said.

The Dutch company will also help train 43 Philippines air and ground crew at its Schiphol plant near Amsterdam, starting later this year. It will train pilots, navigators, radar operators and engineers.

Fokker declined to reveal the value of the order, but the basic passenger version of the F-27 costs \$6m (£2.5m). The maritime version, which contains more electronic equipment, is considerably more expensive.

F-27 sales now total 711 to 157 operators in 63 countries. This includes 10 sales of the maritime version which in the past have gone to Peru, Spain and the Netherlands.

Japanese expected to curb car sales to W. Germany

BY KEVIN DONE IN FRANKFURT

GERMAN MOTOR industry leaders gave a cautious welcome yesterday to reports from Tokyo that the Japanese Government had called on the motor industry to exercise voluntary restraint on car exports to the Federal Republic.

The share of Japanese car manufacturers in the German market has almost doubled in the first five months of 1980 to 8.7 per cent compared with 4.7 per cent in the corresponding period of 1979. By the end of the year they are expected to be taking around 10 per cent of the market.

Two weeks ago during a visit to Tokyo Count Otto Lambsdorff, the West German Economics Minister, urged the Japanese Government to exercise self-restraint in car exports in order to defuse the growing pressure in Western Europe for the introduction of "protectionist measures".

In an interview published in a West German magazine

yesterday Count Lambsdorff said his suggestions had met with a positive response.

Unconfirmed reports in Tokyo yesterday said that the Japanese Government had decided to monitor car exports to West Germany and that it would urge manufacturers to exercise "self-restraint".

Count Lambsdorff said that it was for the Japanese themselves to understand that they could not simply switch their exports from the U.S. to the West German market. A certain Japanese share of the German market was welcome, however, as it benefited the consumer.

The West German Government could not undertake administrative measures to limit such imports. Some 26 per cent of West Germany's Gross National Product was exported. "We live from exporting," he said.

The Japanese Government measures which would hit us from other countries, we were to artificially limit imports, would be far more serious than the problems that could, other-

wise affect one industrial sector, albeit a large one."

Count Lambsdorff said that restrictive measures had not helped other European countries. Fiat was facing mass redundancies, BL was bankrupt, and the French manufacturers were also suffering problems.

Despite the stance taken by Count Lambsdorff, however, pressure has been growing from both W. German manufacturers and the trade unions for action by the German Government to limit Japanese car imports.

Mr. Edward Reuter, deputy board chairman of Daimler-Benz, said yesterday that he considers the battle looming between the European and Japanese motor industries to be the "most worrying problem of the coming years," adding that the export surge by Japanese car makers endangers hundreds of thousands of jobs in the European motor industry.

But Mr. Reuter said he hoped the problem could be solved through self-imposed restrictions by the Japanese.

Nissan details Spanish plans

BY OUR MADRID CORRESPONDENT

SIX months after it acquired a 35.85 per cent stake in the Spanish agricultural machinery and light-van manufacturer Motor Iberica, Nissan confirmed that it will use Motor Iberica to produce two types of vehicles—an all-purpose jeep, the Patrol, and a light-van, the Vanette, both of which are due to be ready for the market by 1982.

Initial Patrol production is scheduled at between 15,000-20,000 units and for the Vanette 25,000. By 1982 it is planned

that 50 per cent of this production will be exported to Africa, the Middle East and especially to Europe, where Motor Iberica will be able to take advantage of Nissan's extensive distribution network.

The agreement represents the first important step in Nissan's plans to penetrate the European market and develop its first major European base.

Both the Patrol and Vanette models are now produced by Nissan in Japan. The models manufactured in Spain are going to be slightly different, and adapted to suit the tastes

and needs of Europeans. Foreign sales of the two vehicles produced in Spain could amount to 25,000 units in 1982.

Production costs are estimated at Ptas 2.5bn (£151m), nearly all of which is expected to be covered by Nissan. It is likely that Nissan's participation in the Spanish company will increase beyond the existing 35 per cent, which makes it the largest single shareholder.

Motor Iberica is planning to develop its installations in Aragon to accommodate the new models.

Mitsui to complete IJPC plant

BY PATRICK COCKBURN IN TEHRAN

WORK will restart within the next two months on the Iran-Japan Petro-Chemical company's \$3.5bn (£1,470m) complex, Dr. Amir Nasser Kouhyar, Head of the Iranian part of the company said yesterday.

As a result of his recent visit to Tokyo the main Japanese contractor, Mitsui, has agreed to go ahead with all 13 units at the site at Bandar Khomeini on Iran's Gulf coast.

Japanese were originally inclined to complete only three units—the power plant, tank farm and the liquefied petroleum gas (LPG) plant—on the grounds that there is a ready market for LPG.

Some 500 Japanese are

already on site and it is expected that the plant will be completed by 1982. Dr. Kouhyar said: "Before the revolution interrupted construction work, some 3,000 Japanese were working at Bandar Khomeini which is 85 per cent complete."

Despite agreement to restart work, a number of problems have been left for later negotiation. The original feed-stock for the plant is no longer available in sufficient quantity. The Iranians have offered light naphtha as a replacement feed-stock which is readily available.

The price of the gas has not been decided, but Dr. Kouhyar said it would be no higher than international prices.

The reduction of \$1 in the price of fixed types of Iran's offshore crude will not affect more than 90,000 barrels a day of its total exports, according to diplomats in Tehran.

The reason for the price cut is limited storage capacity of the offshore fields. The storage tanks are now believed to be full.

The Iranian Oil Minister, Mr. Ali Akbar Molayeri, has claimed that exports last month were one million barrels a day. Observers in Tehran believe this figure includes crude exports of some 750,000 barrels a day and fuel product exports of about 250,000 barrels a day.

Peking promises flexible laws

BY TONY WALKER IN PEKING

A SENIOR Chinese economic administrator has promised a flexible approach to the administration of the joint venture law.

Vice-Premier Gu Mu said it was even possible that China would agree to a foreigner taking charge of an enterprise, in special circumstances.

Mr. Gu's assurances, which are carried in the latest edition of China Economic News, come at a time when it is believed that Chinese authorities are putting the finishing touches to long-awaited laws regarding wages and taxes for joint ventures.

Mr. Gu is responsible for China's Foreign Investment Commission which will oversee the operation of the joint venture law.

On the question of capitalist business practices being applied

in socialist China, Mr. Gu said: "We want foreign friends to run joint ventures with us, we will ensure that scientific management and advanced technology will be properly employed."

He said that "some details" of the joint venture law had been worked out and would be announced when ratified. This suggests the joint venture package may be ready for approval by the National People's Congress—China's Parliament—when it meets next month.

Mr. Gu promised the law would be administered flexibly. For instance, the post of general manager in joint ventures in China should, normally, be taken by a Chinese. However, if no experienced person is readily available, that post may

well be assumed by a foreigner.

Mitsui Bank has signed a business cooperation agreement with the China International Trust and Investment Corporation, Reuter reports from Tokyo.

Under the agreement, the partners will introduce companies interested in joint ventures and compensating trade. They will also co-operate with each other in fund raising outside China, financing, exchanging information and training employees.

Mitsui is the sixth Japanese bank to have arranged this form of business co-operation with the Chinese corporation. The five others are Bank of Tokyo, Industrial Bank of Japan, Fuji Bank, Sanwa Bank and Long-term Credit Bank of Japan.

Opposition grows to draft registration plan

BY DAVID BUCHAN IN WASHINGTON

PRESIDENT Jimmy Carter's draft registration plan, designed to send Moscow a warning signal of U.S. military preparedness, has run into growing resistance and may yet be overturned in court.

Reminiscent of the Vietnam war era, anti-registration groups have sprung up around the country, and are expected to picket many of the 34,000 post offices, at which some 4m young men are supposed to fill in a simple registration form this week.

Failure to register carries a possible fine of up to \$10,000 (£4,200) or a five-year prison sentence. The Government expects that only about 2 per cent

of the 4m young men will not comply.

The original plan would also have required young women to register for possible military service, but Congress quickly struck this provision out, and its absence may prove the registration plan's final undoing.

Last Friday a Philadelphia federal court ruled the registration plan was unconstitutional because it excluded women.

The Government won a stay of this ruling over the weekend, when Mr. William Brennan, a Supreme Court justice, allowed registration to go ahead, arguing that the young men would suffer no irreparable injury because the registration lists could always be destroyed if the full

Supreme Court disagreed.

Mr. Brennan, considered a liberal and thus probably sympathetic to registration opponents, made the unusual prediction that the chances that the full Supreme Court meeting in the autumn might overturn the registration law were "fair."

The Government says it will track down "registration dodgers" by checking records such as state driving licences. But it may not be easy. During the Vietnam war, when men were being drafted straight into combat, about 250,000 young men failed to register and were never discovered.

The current anti-registration movement appears to have broader roots than its Vietnam era counterpart, which was

largely white, middle class and liberal in inspiration, though it also has support from many church organisations.

Mr. Reagan's opposition to registration, expressed again in his nomination acceptance speech in Detroit, has given opponents some conservative respectability, while surveys show that many blacks and blue collar workers are also against registration.

The Administration argues that registration is an important sign of American resolve, both to the Kremlin and to U.S. allies in Europe, most of whom have some form of military draft. But by the same token, Mr. Carter cannot allow the issue to become politically divisive.

West Berlin's booming air traffic benefits allied carriers

BY LESLIE COLT IN BERLIN



West Berlin's Tegel airport—British and American operators share the market

AIR TRAFFIC to and from West Berlin through the three invisible air corridors above East Germany, is flourishing once again after a long period of decline. The chief beneficiaries are British Airways and Pan Am, the two allied carriers which divide most of the scheduled air services to Berlin.

West Berlin air traffic is controlled by British, U.S., French and Soviet air force officers from the Berlin air safety centre, one of the remnants of post-war four-power control.

One of the consequences of an agreement, renewed by the four powers in Berlin in 1972, was that West Berliners and West Germans flocked to use the East German transit autobahn links between West Germany and West Berlin, which had become virtually free of controls.

In 1971, British Airways still flew 2m passengers on its Internal German Service (IGS) and Pan Am flew 3.5m passen-

gers. But by 1978 these figures had been cut to half.

The Berlin service had a far higher percentage of private travellers—two-thirds of the traffic—compared with other European routes, and their decision to use the family car to drive between West Berlin and West Germany caused the sharp fall.

Load factors of the two airlines had sunk to less than 50 per cent by 1978, leading to their decision to divide up the Berlin routes. British Airways flies between Berlin and Bremen, Hannover, Düsseldorf, Cologne-Bonn and shares Stuttgart with Pan Am which flies to Hamburg, Frankfurt, Munich and Nuremberg.

Since 1978, traffic has recovered to the point where BA flew 1.4 per cent more passengers or 1.3m in its 1979/80 business year to the end of March, while Pan Am flew 3.2m last year. Passenger traffic has climbed steadily in the past few months as a result of lower group and weekend fares as well as a larger number of business and convention visitors.

Neither BA nor Pan Am will disclose the profitability of their Berlin routes, but the British carrier says it earns an operating surplus on its total German

service—which is expected to produce revenue of DM400m (£96.5m)—of which nearly half is generated by Berlin traffic. Mr. Conrad Jacoby, Pan Am's

Berlin managing director, says the Internal German Service contributes \$160m (£74m) to Pan Am revenue and notes that the company is "not losing

money" on the Berlin operation, but that profitability has declined because of soaring fuel costs.

Berlin air fares are subsidised by the West German Government to the tune of 19 per cent of the price of the airlines would otherwise charge.

The airlines say, however, that even without the ticket subsidy, their fares are well below those charged by Lufthansa within West Germany which loses about DM100m a year on its domestic operation. The four-power agreement does not permit Lufthansa to operate into Berlin.

The growth in air travel is not limited to the two allied carriers, for the travel-minded West Berliners are helping air charter operations from Berlin expand even faster than scheduled services.

Two British operators, Dan Air and Laker Airways, and a U.S. company, Air Berlin U.S.A., divide up the market. Dan Air, which has four aircraft based in Berlin, says the German market contributes 25 per cent to its revenue and that growth

in Berlin traffic has been 10 per cent a year in recent years.

The market remains far from stable, however, for price rises are causing Germans to take fewer second holidays by air, and there is fierce competition from East Berlin's Schönefeld Airport.

Small West Berlin tour operators are offering package tours to Greece from Schönefeld using the East European carriers, which Mr. Frank Taping, Dan Air's sales director, says are dumping seats from their major West Berlin operator can match.

The price of a scheduled flight to Athens with East Germany's Interflug was slashed from DM 980 to DM 554, while a one-month excursion ticket costs DM 174. The cheapest packages to Athens from West Berlin's Tegel Airport, however, cost DM 600.

Meanwhile Air Berlin U.S.A. has flights from East Berlin to Athens, Dan Air hopes to be permitted to start scheduled service from West Berlin to expand to a daily service.

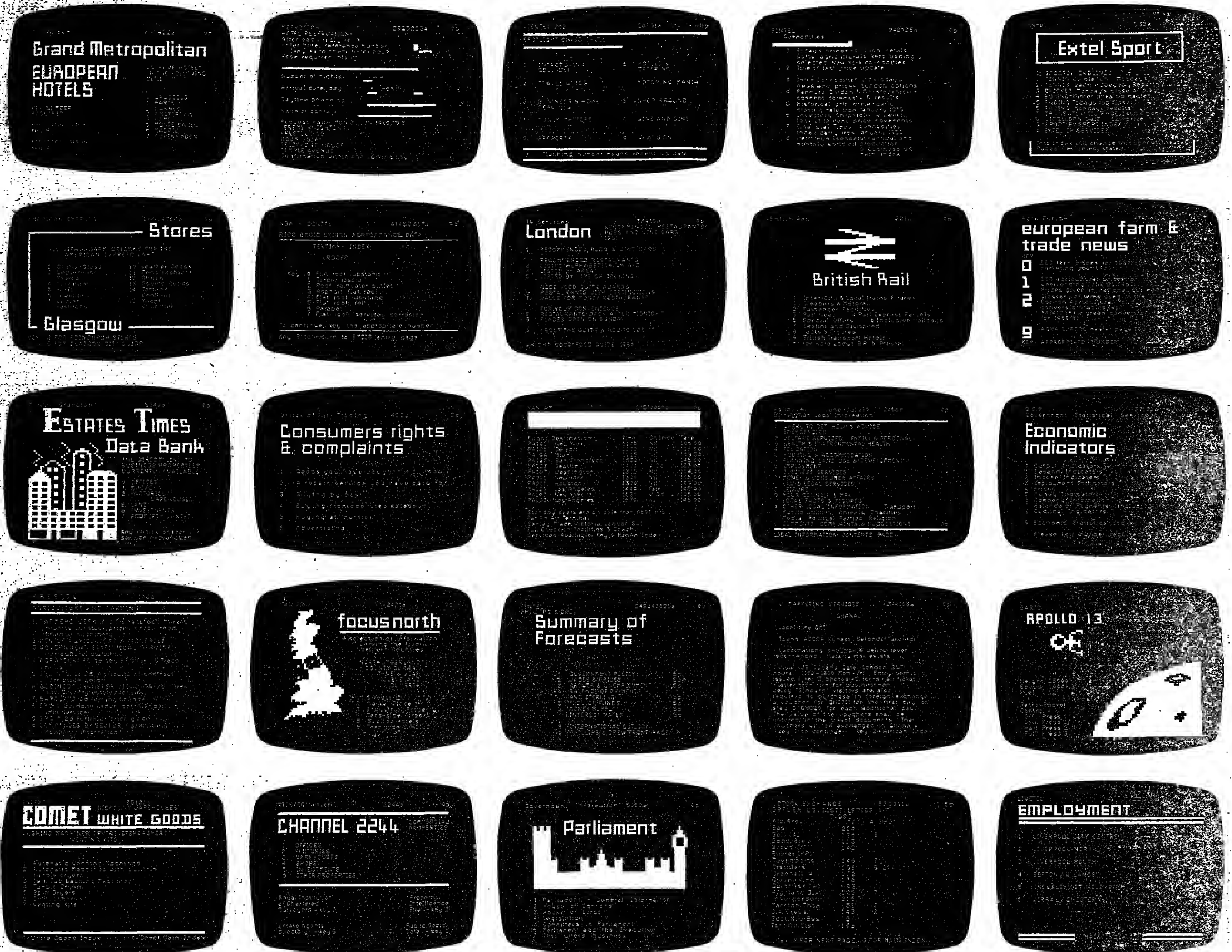
Amsterdam, a route flown by Interflug.

Germany is seeking Spanish approval for Interflug flights to Spain, which could be far more damaging to the Western charter airlines in West Berlin. The East Germans want landing rights from the Spanish in exchange for permission for a Spanish airline to fly over East German airspace into West Berlin's Tegel Airport.

The Spanish carrier hopes to become the first non-allied charter airline to serve West Berlin from outside the air corridor. However, the three air attaches in Bonn are believed unlikely to approve the Spanish application, which is seen as a two-pronged threat to West Berlin's air service.

Mr. Arno Angermeyer, Laker's man in Berlin, says the company would like to introduce the Airbus to West Berlin next year on flights to the Canary Islands, Greece and Turkey.

Meanwhile Air Berlin U.S.A. has been given the green light for Athens, Dan Air hopes to be permitted to start scheduled service from West Berlin to expand to a daily service.



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UK NEWS

World-wide whaling ban supported

BY ALAN FRIEDMAN

THE INTERNATIONAL Whaling Commission's technical committee voted yesterday to support a world-wide commercial whaling ban.

The 11-9 vote, at the end of the first day of the 32nd annual meeting of the IWC in Edinburgh, was sponsored by the U.S. and France.

The proposed moratorium on whaling is to be discussed this morning by the IWC's plenary session, but a three-quarters majority is needed for the motion to succeed.

A proposal by the Seychelles delegation to ban subsistence

hunting of the bowhead whales off the coast of Alaska was also approved by 8 to 3 with 10 abstentions, and will also be considered by the plenary meeting.

The U.S. delegation, facing political pressure at home from Alaskan Eskimos, criticised the role on Bowhead whales.

Mr. Richard Frank, head of the U.S. delegation, said last night: "I see no basis for supporting this zero quota. An immediate moratorium shows disregard for aboriginal peoples." He favoured gradual

phasing out instead. The U.S. is fighting to maintain last year's quota of 26 whales.

Miss Joanna Gordon Clark, a conservationist with the Marine Action Centre, said the U.S. position was hindering progress towards a world-wide ban on commercial whaling.

"We would have a very good chance of getting a world-wide moratorium this year if the U.S. were not so preoccupied with getting a high quota on the Bowhead," she said.

Meanwhile, the UK Govern-

ment yesterday strongly supported the ban on commercial whaling and on all imports of whale products. Mr. Jerry Wiggin, Parliamentary Secretary at the Ministry of Agriculture, told delegates a world-wide ban was necessary.

He said that as a result of UK representation to the European Community, the Council of Ministers had agreed on a Europe-wide ban on the import of whale products from January 1, 1982.

Mr. Wiggin also criticised inhumane killing methods

such as the "cold grenade harpoon" and asked the IWC to ban its commercial use. This statement could mean the UK will vote for lower quotas on the minke whale, which is hunted in this manner.

Also on the agenda this week is a motion by the Seychelles to ban the hunting of sperm whales. Such a ban could eliminate much of the Japanese coastal whaling industry. Last year, the Japanese killed 1,350 sperm whales, a significant portion of their total whaling activities.

LT fares look set to rise by 13½%

Financial Times Reporter

LONDON TRANSPORT has applied for its fourth fare increase in 15 months. Its plans for Underground and bus fare rises averaging 13½ per cent will be put before a special meeting of the Greater London Council on Friday.

London fares have risen by nearly 40 per cent during the past year, and the currently proposed increases — to take effect from September 21 — will mean an aggregate rise of more than 53 per cent since June 1979, if they are implemented.

Last month London Transport asked for an 18 per cent increase but this was vetoed by GLC members.

Under the new proposals bus fares will rise by an average of 16 per cent with the minimum fare being 12p instead of 10p. Underground fares will increase on average by 11½ per cent with the cheapest Underground fare rising by 5p to 20p.

The last round of fare rises in February resulted in fewer commuters using the LT service. A reduction in tourists also took its toll.

LT expects to have a deficit of £40m this year and losses amounting to over £90m in 1981. It has warned the GLC that delay in introducing the price changes could result in a further loss of revenue.

Last month Sir Horace Cutler, leader of the Conservative-controlled GLC, said that the only way the deficits could be met were by fare increases, higher productivity, service cuts and a bigger subsidy from London's ratepayers.

At the special meeting of the GLC's Policy and Resources Committee on Friday, the cash crisis at LT and ways of restructuring the authority are to be discussed, as well as LT's recommendation to the council for a £480m investment programme over the next five years for new trains and buses and station improvements.

The only comfort for commuters yesterday was the publication by LT of its Travellers' Perks booklet containing details of all shops, theatres and travel agencies offering discounts to holders of underground tickets, cheap day return tickets, bus passes and annual Go-A-You-Please tickets.

Widow wins back pension

By Robin Pauley

MRS. GLADYS LILLYSTONE, a widow of 72 who sold her home by instalments to try to make ends meet, should not have been penalised by having her supplementary pension withdrawn a High Court judge said yesterday.

The Department of Health and Social Security said yesterday that the ruling could affect hundreds of people in a similar position. The Department was given leave to appeal, but the judge said that meanwhile Mrs. Lillystone should receive her money.

Downturn causes loss of 630 stationery jobs

BY JAMES McDONALD

JOHN DICKINSON Stationery — part of the Dickinson Robinson paper & packaging group and UK leader in domestic and business stationery — is to cut its workforce by 630 jobs before October 16, because of the business downturn. It is also considering introducing short-time working.

The company, best known for its Beston Road stationery employs about 5,000 people. The job losses, in staff and shop floor, will be in its three sites in Hemel Hempstead, Tottenham, London, and Kirby, Liverpool. Part of the reduction will be by way of normal retirement and turnover.

John Dickinson says the downturn has been caused by the general recession in Britain and the strength of sterling overseas. "This situation has been aggravated by the high levels of national wage settlements and the recent disruptions in the printing industry."

The company sees little prospect of an early improvement in market conditions. But it has invested heavily in recent years in production and distribution facilities and says it "has every confidence that the business has a secure future."

The Dickinson Robinson Group employs about 19,000 people and in March reported a 16 per cent rise in taxable profits in 1979 to £27.7m. Mr. John S. Camm, the chairman, said then that so far in 1980 demand was holding up well in the UK and overseas and that although conditions would still be difficult, present forecasts indicated a further increase in earnings.

Silentsight Holdings, which has been reviewing its furniture division operations because of losses, is to close its furniture factory in Wigan within 90 days and 230 people will become redundant.

D. B. Marshall, Scotland's largest chicken and egg producer, is to close its "Clucky Chickies" factory at Cambuslang in October with the loss of 238 jobs because of cheap imports from France. The company said in Edinburgh: "We are not anticipating any other redundancies of our 2,000 employees."

Marshall's operations are concentrated in the Lothians and in Fife, where more than 300 employees at the Buxted poultry complex are to lose their jobs by October.

Only 35 of the original 250 workers at Pedigree Toys, of Welwynborough, Northants, are left because of the slump in trade and the company has been placed in the hands of a receiver. Some production is continuing while the receiver tries to sell the company as a going concern.

Charles Wickstead, engineers of Kettering, Northants, is to close its foundry operations altogether because of a fall in orders, with a further loss of 30 jobs. Two months ago 40 workers were made redundant.

Calders and Grandage, timber merchants of Boston, Lincoln, is to make 50 workers — one-third of its labour force — redundant because of the building industry depression.

About 250 workers at the Pirelli tyre division at Burton-on-Trent, Staffs, are to go on short-time working next month because of the motor industry recession.

The liquidator of Allard Knitwear, in Market Weighton, near Driffield, Humbershire, said the company had a forward order book worth £150,000 and he hoped to sell the plant as a going concern. The 60 employees have offered to give up their annual holidays, starting next week, to let potential buyers see the plant in operation.

Westward's shares may be restructured

BY ARTHUR SANDLES

RESTRUCTURING OF Westward Television's share capital, effectively removing Mr. Peter Cadbury's powerbase with the company, could emerge as one of the negotiating demands of the present Board — which a week ago removed Mr. Cadbury from his chairmanship.

Mr. Cadbury is using his share strength as a springboard from which to get himself reinstated as head of the company which he founded.

Westward's present share structure includes 200,000 voting shares, of which Mr. Cadbury himself holds 35,000. Lord Lisburne, deputy chairman of the company until he, too, was dismissed, holds a further 10,500. Lord Lisburne is a lifelong friend and ally of Mr. Cadbury.

Mr. Cadbury's other main shareholder, Mr. Harry Turner, holds 2,000 voting shares. There will be a fairly spectacular pledge of 15,500 more shares today from a former Westward director.

Arguments are likely to centre on nearly 965,000 non-voting 10p shares. In Mr. Cadbury's absence it seems the Board is unhappy about this

position — although Mr. Cadbury owns 205,889 of these, too.

It appears that the Westward Board, whose new chairman is Lord Harris of Greenwich, a former Labour Minister, who has 1,000 voting shares, would have to offer a fairly substantial carrot to Mr. Cadbury for him to widen the share base. However, the Board is more likely to indicate that, with its new theme of grass roots democracy in the franchise areas, the Independent Broadcasting Authority might not renew the Westward franchise without a change in structure.

For the moment, however, talk of "negotiations" between the two sides would be an optimistic word to use. Both seem determined to see the battle through to its conclusion — an extraordinary shareholders' meeting at which votes would decide.

Mr. Cadbury is convinced he has sufficient pledged support to win at such a meeting and clearly hopes that the other side will back down in the face of certain defeat. He has not yet carried out his threat of setting in motion the calling of the meeting.

Falling output and more gloom in the construction industry

BY MICHAEL CASSELL

OUTPUT is falling in all sectors of the construction industry, according to the National Council of Building Material Producers (BMP).

Mr. Richard Herman, director general of the BMP, said yesterday that, after a relatively good start to this year, many material producers were now experiencing sharp reductions in demand.

Releasing the council's latest set of construction forecasts, Mr. Herman said that total output in the industry this year was expected to drop by 6½ per cent from the previous year.

The material producers expect a fall in activity across the entire industry, with repair, maintenance and improvement for the housing and private, non-housing sectors proving the

only exceptions because of higher activity earlier in 1980. Next year, every part of the construction industry will, according to the BMP, show a reduction in output, and overall activity is expected to fall by a further 6½ per cent when compared with 1980 levels.

The material producers predict that the total number of housing starts this year will reach only 165,000, against 221,000 in 1979. Next year, the total could fall to 155,000, making it the lowest annual figure since the last war.

The number of homes finished this year is forecast to fall to 205,000 from 238,000 in 1979. There will be a further decline to 190,000 in 1981 and 1982. The BMP also expects public sector construction output (excluding

housing) to fall by 6 per cent this year, and by another 6 per cent next year. A 5 per cent decline in private industrial work this year will be followed by a 12 per cent drop next year. Private commercial work is forecast to fall by 1 per cent this year and by another 3 per cent next year.

House prices are at a standstill or falling back, according to the latest survey from the Royal Institution of Chartered Surveyors. It says that in the three months ending in June, over half of all agents reported no change in prices. There was, however, a noticeable increase in the rate of house sales involving lower prices. About 27 per cent of agents said that they were experiencing price reduction against a figure of 19 per cent in the previous quarter.

Japanese cars 'need tighter curb'

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

MORE EFFECTIVE voluntary agreements on imports from Japan would help silence the outcry about imports by the Japanese in European Community markets, said Mr. Geoffrey Rippon, Conservative MP for Hexham, speaking on the motor industry yesterday.

He pointed out that the Japanese already had accepted some voluntary quotas.

"It may be there is a case for tightening those up until the Japanese show greater willingness than they have hitherto to open up their own markets to British and European goods."

Mr. Rippon was speaking in a BBC World at One broadcast. At the weekend, Mr. Bill Hayden, the vice-president in charge of Ford's total European output, said that he could not see any way that European manufacturers could stop erosion of their car markets by the Japanese without some form of control through the EEC.

Mr. Hayden suggested that the European motor industry would never match Japanese produc-

tivity. For example, the Japanese were three times more efficient than the UK industry, and could build a car for £1,000 (£416) less.

Increased sales of Japanese cars at low prices would not benefit consumers in the longer term because this would increase unemployment throughout Europe and, consequently, cut purchasing power of individuals.

If Ford of Britain could match Japanese efficiency, which it could not, the company would need only about half its present workforce of 70,000, said Mr. Hayden.

Mr. Rippon maintained

yesterday: "There is no future in protectionism. We in Europe must try to produce cars as good as those produced by the Japanese."

He added, however: "We are entitled on a European basis to say to the Japanese that it is all very well for you to want free competition in this field (cars) where we open our markets to you. You are not so the other hand opening the Japanese market to other European manufactured goods."

And we would, as he said, be entitled to set about negotiating a new trade agreement with Japan.

Fire closes china factory

A FIRE at the Aynsley China-works in Stoke-on-Trent has put one of the company's four factories out of action.

It could be several months before the factory, which produced ornamental china, gets

back into production, Mr. Michael Gillow, managing director, said yesterday.

A decision will be made shortly as to whether the 100-strong workforce can be given jobs in the company's other factories.

TV rental companies refund £500,000

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

MORE THAN £500,000 has been refunded to consumers by some television rental companies because rental charges were increased unfairly.

Repayments followed pressure from the Office of Fair Trading, which uncovered over-payments in the course of issuing credit and hire licences under the Consumer Credit Act.

Over-payments occurred because some companies unfairly told customers that all rental agreements contained a clause allowing companies to increase rentals simply by giving notice.

However, the OFT says this was untrue, because not all rental agreements contained such a clause. But the OFT also found that when some customers complained, some

companies further misled them, was allowed under legislation controlling television rental. Such legislation does not affect customers' rights under terms of agreements they had signed, according to the OFT.

"I consider these practices to be unfair," said Mr. Gordon Borrie, director general of fair trading, yesterday. "But I am pleased companies concerned have taken steps to put things right by refunding more than £500,000 to customers, agreed to defer some increases until proper notice is given, and promised to give customers full information about their rights."

The OFT refused to disclose names of the companies and to provide more details of over-payments.

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Tyneside yard wins £18m order

BY RAY DAFTER, ENERGY EDITOR

MARATHON OIL, operator of the Brae Field in the UK sector of the North Sea, has ordered £18m worth of process equipment from Charlton-Leslie Offshore, of Tyneside.

The equipment will be delivered as three modular units, weighing about 6,000 tonnes altogether. The contract is the largest single order received by the yard — part of the Charlton-Leslie engineering group — since its opening in 1974.

The three modules, which will be installed on Brae's fixed production platform, are due to be delivered in the spring of 1982.

Chevron Petroleum (UK), as operator of the big Ninian oilfield, has announced that output from the North Sea reservoir has reached more than 100m barrels. The field is producing oil at the rate of 225,000 barrels a day — about 12½ per cent of the UK's total oil requirements.

Ninian is the UK's third biggest oilfield, with at least a further 1bn barrels of estimated recoverable reserves still to be produced. (One barrel contains 35 imperial gallons of oil.)

The development of the field has so far cost Chevron and its partners — British National Oil Corporation, ICI Petroleum, BP

Petroleum Development, Ocean Exploration, Murphy Petroleum, Ranger Oil, and London and Scottish Marine Oil — more than £1bn, of which 76 per cent has been spent on contracts in the UK.

Taylor Woodrow Energy has started to drill for gas close to Malton in Yorkshire. The well, known as Malton No. 3, will be drilled to a total depth of about 5,250 feet. The drilling consortium comprises Taylor Woodrow (14.25 per cent), Candover Resources (49 per cent), RTZ Oil and Gas (14.25 per cent), Haoma NW Mining (UK) (13 per cent), and James Finlay and Co. (9.5 per cent).

NCB plans smokeless fuel plant inquiry

By Martin Dickson, Energy Correspondent

THE NATIONAL Coal Board is to start an urgent inquiry into ways of maintaining production from a South Wales smokeless fuels plant. This follows the Government's rejection of a request for special financial aid to renovate its equipment.

Mr. John Moore, Under-Secretary of State at the Department of Energy, said yesterday that the Government had turned down the NCB's request for £26m to improve the plant at Aberaman. Mid-Glamorgan, which produces phurnacite, a high-quality smokeless fuel, he said there were other ways of ensuring continued production.

The NCB, expressing disappointment, said it would begin urgent talks with interested parties about maintaining production.

The reaction is not surprising. The Aberaman plant, run by National Smokeless Fuels, an NCB subsidiary, has been losing money and would have continued to do so even if the renovation had gone ahead.

However, Mr. Moore's announcement is likely to provoke anger in depressed South Wales, where loss of markets already threatens several collieries with closure. "An eventual decision by the Government to reduce production from the plant would mean more job losses. The Government's refusal of aid means that to continue production at the present rate, the NCB may try to prolong the life of the oldest phurnacite-producing batteries, beyond 1982-83, when they are scheduled for closure."

Ruling is sought on oilmen's tax

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE INLAND REVENUE yesterday asked a High Court judge to uphold a £2m income tax assessment on a Panamanian company employing Britons in North Sea oil operations.

The Revenue appealed against the quashing, by tax commissioners, of a £2,03m PAYE assessment on Oceanic Contractors, whose British employees work on barges, laying pipes and carrying out maintenance.

Oceanic denied liability to pay the tax, arguing that the Revenue should recover it by direct assessment and not through PAYE.

Mr. Justice Dillon was told by Mr. Paul Baker, QC, for the Revenue, that tax collection from North Sea oil workers was a serious problem because of the difficulty of discovering their names and whereabouts.

Oceanic was a subsidiary of the U.S. corporation J. Ray McDermott and Co. Mr. Baker said, it was not registered in the UK for tax purposes and its North Sea workers — 400 in 1977, the year of assessment, of whom 69 per cent were UK nationals — were on the company's British payroll.

Mr. Baker said that the workers themselves were indisputably chargeable under Schedule E. The issue was how far the Section E provisions of the 1970 Income and Corporation Tax Act applied to foreign companies.

The Revenue's case was that merely by employing UK nationals in the North Sea, Oceanic became liable to deduct PAYE. If that in itself was not

sufficient, the fact that the company had a "presence" in the UK made it liable.

That depended on the extent of the extra-territorial operation of the Act, Mr. Baker said.

Oceanic based its case on contentions that it was not registered, resident or domiciled in the UK, and that the salaries were paid outside the UK.

The hearing continues today.

Cut in heating ordered

BY ELAINE WILLIAMS

OFFICES, SHOPS and factories have been told by the Government to turn down their heat this winter to reduce Britain's fuel bill.

The highest temperature allowed in buildings not used as dwellings is to be reduced from 20 degrees C (68 degrees F) to 19 degrees C (66 degrees F) from October 1, Mr. John Moore, Energy Under-Secretary, announced in the Commons yesterday.

The minimum temperature, from 16 degrees C to 15 degrees C, will remain unchanged.

Mr. Moore said lower working temperatures would save 1m tonnes of oil a year.

The move was welcomed by several MPs yesterday. Mr. John Hannam, Conservative MP for Exeter, said he had been in danger of overheating in Government offices last winter.

Mr. Clement Freud, Liberal MP for the "Safe" of Ely, suggested that the Commons reduce its heating by 5 per cent to act as an example.

Shop spending falls despite sales drive

By DAVID CHURCHILL AND DAVID MARSH

THE RECESSION has led to a sharp drop in spending in the shops in spite of extra sales efforts mounted by retailers anxious to clear stocks.

Retail activity held up quite well in the first quarter of the year. There has been a marked reduction in spending in the past few months, in line with generally depressed economic activity and a squeeze on incomes of consumers hardest hit by the slump.

Figures published yesterday by the Department of Trade show that the seasonally-adjusted volume of sales in the second quarter fell 2 per cent below the first. The June index of retail sales fell by about 0.1 per cent from May to a provisional 100.5 (1976=100).

The Department revised downwards its figure for the May index by about 0.4 per cent, showing the drop in High Street activity in early summer much more severe than first thought.

Some consolation for the depressed June figures came from certain retailers yesterday who said that their sales picture was brighter in recent weeks. Few retailers were optimistic about the outlook for sales in the autumn.

RETAIL SALES			
	Volume, seasonally adjusted index, 1976=100	Value, unadjusted, percentage change compared with year earlier	
1979 1st	100.8	+11	
2nd	106.4	+15	
3rd	99.7	+11	
4th	101.7	+14	
1980 1st	103.2	+18	
2nd*	101.1	+10	
March	102.6	+19	
April	102.3	+13	
May	100.6	+11	
June*	100.5	+8	

* Provisional
Source: Department of Trade

The main reason for improvement in recent weeks was the traditional bargain sales, which many stores started in June, earlier than usual.

The poor summer weather has badly hit clothing retailers, now selling stocks at rock-bottom prices.

Mr. David Johnson, chief executive of Rumbelows electrical goods chain, said that

extensive media coverage of bargains on offer appeared to have persuaded shoppers to buy.

"I doubt if profit margins end prices in the electrical and consumer durable trade have ever been lower," he said.

The Retail Consortium, representing the bulk of retailers, also said that many of its members reported a good response to bargain sales.

A spokesman mentioned difficulty in judging sales performance in June compared with last year because of the artificially high spending then, before the Budget.

According to the Department's statistics, volume of sales in June was about 8 per cent lower than in the same month last year.

A better indication of the slump in sales in the past six months is the Department's figure of a 1.4 per cent fall in first-half volume compared with first-half 1979.

Average value of sales during the first six months was only 14 per cent higher than during the same period last year, though annual rate of retail price inflation was about 20 per cent.

Trading legislation reaches final stage

By David Churchill, Consumer Affairs Correspondent

THE GOVERNMENT'S attempts to improve the competitiveness of British industry passed its final Parliamentary stage yesterday when enabling Orders bringing into force the chief provisions of the Competition Act were laid before Parliament.

The Orders will make it possible to investigate the trading practices of British companies in a more extensive and interventionist fashion than any previous attempt to improve business competition.

The Office of Fair Trading will be able to investigate any company with a turnover greater than £5m if it believes that company is pursuing an anti-competitive trading practice.

The OFT is understood to have drawn up a list of the top four companies it wants to investigate. It will probably announce these towards the end of August two at a time.

The OFT's formal investigation to establish whether an anti-competitive practice exists, likely to take about three months, may then be followed by a full-scale probe by the

Monopolies and Mergers Commission. This investigation will take six months to complete, although it can be extended by a further three months.

After the commission has completed its investigation, the Trade Secretary then has wide-ranging powers—including the power to order a company to cut its prices—to implement the commission's recommendations.

Although the Competition Act itself became law early in April this year, the enabling Orders laid yesterday have taken longer than expected to appear.

The chief reason was the technical problem with the drafting of the Orders, although the delay had led to some speculation—denied by the Government—that there was a deliberate intention to bring the new powers in slowly.

The wide-ranging nature of the new powers, for example, has particularly worried the Confederation of British Industry which laments closely to monitor the workings of the legislation.

British industry still has a few weeks' grace before the OFT launches its first probes. The new regulations do not come into force until August 12—for technical reasons due to Parliamentary procedure—and the OFT may then decide to wait a few weeks more before announcing its first group of

formal investigations. The chief role of the Orders laid before Parliament yesterday was to establish just which companies would be exempt from the new powers. The chief exemption has been to limit the new powers to companies with an annual turnover of more than £5m. The Act will apply to companies with a smaller turnover if the company concerned has more than 25 per cent of the market or is owned by another company and together their annual turnover exceeds £5m.

Other exemptions include small bus operators—with a turnover of less than £1m a year—and certain practices which may conflict with other Government policies or have international repercussions. These exclusions cover such areas as exports, international shipping and civil aviation services, the internal affairs of agricultural co-operatives, and agreements between the Government and banks on building societies.

In spite of the delay in bringing the Act into effect, the OFT has been busy since the beginning of the year in drawing up a short-list of possible anti-competitive practices to investigate.

Although it might seem that it would have no trouble in finding anti-competitive prac-

tices to investigate—given wide ranging nature of its powers—the OFT's officials are understood to have had problems in narrowing down its short-list.

The OFT is also likely to be aware of the publicity value of its first few investigations in bringing home to industry the aim of the new legislation in improving competitive behaviour. As the OFT is unlikely to be able to cope with more than 20 investigations a year it is important in the Government's view, that companies change their anti-competitive behaviour before the need for an investigation arises.

However, finding clear-cut cases of anti-competitive behaviour in companies or areas of national significance is proving more difficult than expected for the OFT.

The basic criteria likely to be used by the OFT in selecting companies for an initial investigation is whether the anti-competitive practice could frustrate competition, either from existing or potential competitors.

The OFT is particularly concerned, for example, at the practice of "predatory pricing" whereby one company seeks to undercut its competitors not just to increase business but to drive competitors out of the market. It has been closely scrutinising the activities of the

major oil companies and a leading egg producer.

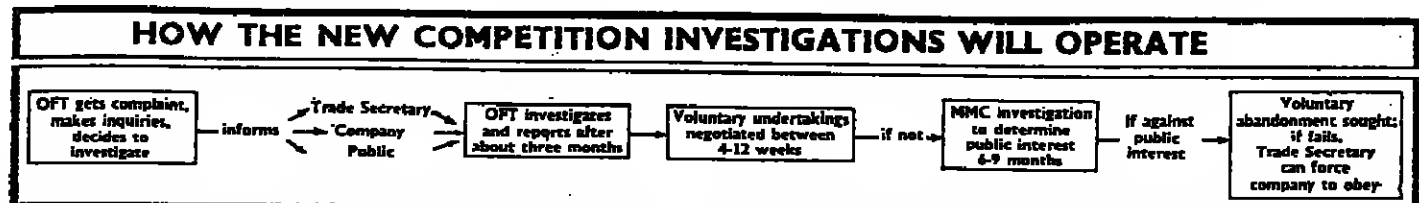
Another area of anti-competitive behaviour is the refusal of some manufacturers to supply retailers who sell their products at cut prices. The OFT has held lengthy talks with retailers such as Argos and Tesco who have complained of this practice, but it is understood to be still finding it difficult to put together a firm case for an early investigation.

There is also a feeling that some manufacturers who previously were reluctant to supply goods are now only too willing to do so because of the recession and cut-back in consumer spending.

But the OFT is understood to be concerned at the price level and marketing of milk in England and Wales, which effectively prevents supermarkets from selling milk more cheaply than that delivered to the doorstep.

But in spite of the problems of finding clear-cut cases of anti-competitive behaviour to investigate, the OFT is understood to have four companies in its sights.

Such is the state of flux surrounding these potential investigations, however, that cases which now seem liable for investigation may be replaced by others before the first announcement is made.



New codes drawn up for insurance men

FINANCIAL TIMES REPORTER

INSURANCE SELLERS not regulated by the new Insurance Brokers' Registration Council will have to be more open about their business intentions in dealing with potential customers.

New draft codes of practice, for the selling of both non-life insurance and life insurance by specialists who have not registered with the British Insurance Brokers Association, have been formulated by the British Insurance Association and the Life Officers Association.

The proposals, published in this week's issue of Policy Holder Insurance Journal, provide a code of discipline for those specialists not registering with the new Insurance Brokers Registration Council.

Insurance brokers who register with the Council have their own code of conduct. Registration, which is voluntary, will in about a year confer on the applicant the exclusive use of the title "insurance broker."

The new code of practice drafted by the BIA and LOA for those who do not register is to be published in September.

It says that "where appropriate, intermediaries should make an appointment to visit prospective policyholders. Unsolicited or unarranged calls should be made at an hour likely to be suitable to the prospective policyholder."

Intermediaries are told not to criticise any insurance company or make comparisons with other types of policies, unless the differing characteristics of each policy are made clear.

Attention must be drawn by the intermediary to any restrictions and exclusions applying to the policy. With life assurance policies, intermediaries are specifically instructed to draw the customer's attention to the long-term nature of the contract and to the effects of early discontinuance and surrender.

Other directives include a requirement that sales of with-profit life assurance, including endowment assurance, must include the advice that past performance of the contract in question may not necessarily be a guide to future performance.

Quick expansion in video sales likely up to 1985

By GUY DE JONQUIERES

ELECTRONIC video systems which can record pictures and sound on magnetic tape will make deep inroads into the market for home movie equipment in the next few years, according to a new study by Mackintosh Consultants.

The study forecasts that sales of colour video cameras will grow by 80 per cent annually between now and 1985, while the market for conventional eight mm movie cameras will fall to half its 1980 level.

Japan is leading the development of electronic photography. Sony recently demonstrated a combined camera and recorder weighing less than 5 lb, and other manufacturers including Hitachi, Toshiba and Victor Company of Japan (JVC) are working on similar types of system.

According to Mackintosh Consultants, colour video cameras will drop sharply in price once the market for them develops, and will cost as little as \$300 each by 1985.

The study forecasts that the Western European market for

all types of home video equipment will treble in value to \$3bn annually in 1985, when it expects a quarter of total sales to be of electronic photography systems.

It says that deliveries of home video cassette recorders, used primarily to record programmes off television, will rise to 2m units in 1985 from 800,000 this year. In five years, 18m Western European households, or one in five, will own one of the machines.

The report is less sanguine, however, about the prospects for videodisc systems, which play back on a television programme material encoded on a pre-recorded disc. It believes that sales in 1985 will be worth less than \$200m a year.

Mackintosh argues that market growth will be inhibited by the existence of three incompatible types of videodisc system and by competition from pre-recorded video cassettes.

Home Video and Electronic Photography, Mackintosh Consultants, Napier Road, Luton, Bedfordshire.

Currys broadens market

By ELAINE WILLIAMS

CURRYS, Britain's largest electrical retailers, is to expand the operation of its subsidiary, Currys Micro-System, established last November to sell small computers to businessmen.

Since April, four of Currys' 478 stores have included a section which sells ranges of professional computer for business applications. By September, this will be increased to nine and over 20 stores are expected to be selling systems by the end of the year.

If this is successful, Currys intends to enter the education and domestic/hobby market for small computers, although the home computer market is expected to form only a small part of the small computer sector until 1985.

Mr. Derek Moon, managing director of the subsidiary and a former managing director of GEC's Domestic Appliance Division, said that the company hoped to take 10 per cent of the £40m-a-year market by the end of next year.

Currys say that the UK market could be worth as much as £500m by 1985 and would form a "sizeable and complementary market" to existing business.

Its entry into computers comes at a time when demand for domestic electrical appliances has fallen due to the general recession, and many manufacturers are on short time working.

CJB contract

CJB OFFSHORE'S latest Brazilian contract, shared with Constructora Mendes Junior, is for a production platform in the Pampo field, and not the Garoupa, as reported in the FT of July 12.



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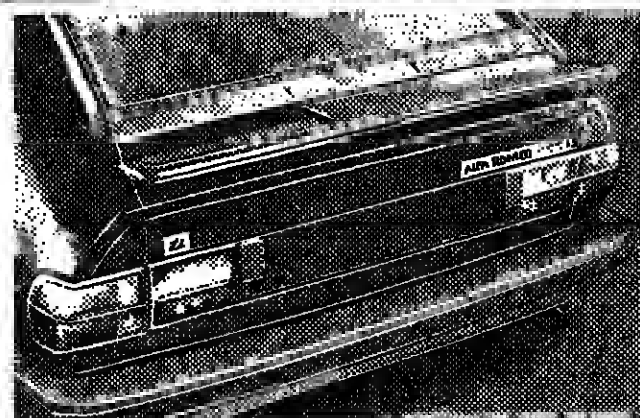
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Sharp attack on key TUC policies by EMA leader

BY PHILIP BASSETT, LABOUR STAFF

A UNION leader yesterday delivered an outspoken attack on the TUC's own economic and social policies, and he went so far as to urge the Government to abandon its economic strategy in spite of TUC opposition.

Mr. John Lyons, general secretary of the TUC-affiliated Engineers' and Managers' Association (EMA), delivered a sharp criticism of key TUC policies. It is likely to provoke anger among senior TUC figures.

Mr. Lyons, a leading union moderate, has had a history with the TUC, mainly over recruitment disputes involving other TUC unions.

He criticised the TUC general council's decision not to talk to the Government about wages unless the Government accepted the TUC's economic strategy and abandoned its own, which it had already put to the electoral test.

He said: "This is not only a demand for government to agree to, indeed, should agree to, but also a tactic which enhances the prospect of direct confrontation."

Mr. Lyons, writing in the

Journal of the Electrical Power Engineers' Association, a constituent group of the EMA of which he is also general secretary, suggested that the public would decisively back any government which chose to take on the unions over the issue of whether they had the right to select which laws they would accept.

He attacked the TUC's Day of Action in May as a failure which weakened British trade unionism, an error of judgment by the general council and a fundamentally undemocratic decision, misconceived and at best premature.

He said the move rested on the assumption that the Government Employment Bill was as disliked by ordinary union members as by union leaders.

"As anyone could have told the general council, if they had asked, the fact is that it isn't," he added.

He said his union, which has industrially powerful members in the electricity supply industry, would not be party to the unions' collective industrial power to try and defeat Conservative policies "as a political act intended to bring down the Government."

Mr. Lyons, writing in the

Prior urges end to hostility

By Philip Bassett, Labour Staff

MR. JAMES PRIOR, the Employment Secretary, unveiled yesterday what Ministers see as the next phase of the Government's industrial relations programme when he urged employers to develop systems of employee involvement, which would allow a break with the "vicious circle of hostility and decline."

"There is no question in my mind that the future of our industrial relations depends more on our progress with employee involvement than it does on changes in the law."

He saw "increased employee involvement" as the key to improving industrial relations, but stressed that the voluntary approach was the right one.

There was only a limited role for Government, his prime responsibility was on management.

Mr. Prior was against any form of legal compulsion for employee involvement "at this stage," but warned that if employers did not urgently develop their own systems they might find another system imposed upon them.

Mr. Prior's speech, at the

Trident Television annual lunch, was a part of the long-range plans being prepared by his Department to repair damage to Government-TUC relations by the Employment Bill and unpopular economic decisions.

Mr. Prior had held out prospects at the weekend in a television interview for a greater degree of co-operation between Government and TUC, though this is unlikely to be helped by the "toughness" of the codes of conduct on picketing and the closed shop to be published when the Bill becomes law.

Mr. Prior said that though the Bill was important in providing more balanced ground rules for conduct of industrial relations, the law could not itself produce a high-performance industrial society.

This was a direct reference to the EEC's draft Fifth directive, likely to be approved this year by the Council of Ministers.

It could require British companies to implement a varied range of employee involvement, including boards with 33 per cent employee representation.

Mr. Prior said that the Government, while resisting legal compulsion, could not blinker itself to the European trend.

ASTMS loses court battle against Post Office

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

A DECISION by the Post Office that has left 1,000 of its employees unrepresented in collective bargaining was upheld by the Court of Appeal yesterday.

The court ruled that the Post Office was entitled to refuse to recognise the Association of Scientific, Technical and Managerial Staff as representing telecommunications salesmen.

The salesmen, formerly members of the Telephone Contract Officers' Association, recently voted overwhelmingly to merge with the ASTMS.

The Post Office refused to recognise the ASTMS on the ground that to do so would lead to fragmentation in bargaining procedures at a time when the Post Office was trying to reduce the numbers of unions with which it negotiated. Recognition was also opposed by the Council of Post Office Unions.

The Post Office said after the hearing that if the salesmen bargaining they would have to leave ASTMS and join one of

the COPOU unions.

Representatives of the salesmen said that there was no question of them changing their decision to become an autonomous section of ASTMS.

Dismissing the ASTMS appeal against the High Court's refusal to order recognition, Lord Denning said that everywhere in industry it was regarded as undesirable to have a large number of unions negotiating on behalf of small numbers.

ASTMS had argued that its Telephone Contract Officers section was virtually the same organisation as the TCOU, with the same members, officers, objectives, and decision-making powers, and that it was wrong to leave those members unrepresented.

ASTMS was ordered to pay the costs of the hearing and was refused leave to appeal to the House of Lords. The dispute is the subject of parallel proceedings currently before the Advisory, Conciliation and Arbitration Service.

Isle of Grain peace bid

BY OUR LABOUR CORRESPONDENT

THE TUC General Council will try tomorrow to find a solution to the increasingly bitter inter-union dispute at the Isle of Grain power station construction site.

It will consider recommendations from its Finance and General Purposes Committee, which has proposed a variety of possible settlements in the past seven weeks without success.

A meeting of that committee yesterday considered the response of the unions to its latest proposal for re-employment on site of the 27 insulation engi-

neers, members of the General and Municipal Workers' Union, dismissed last year.

Members of the committee would make no comment after the meeting.

Three unions, the construction and engineering sections of the Amalgamated Union of Engineering Workers, and the Electrical and Plumbing Trades Union, have said that the proposals are unworkable.

A meeting of all the unions has been called for today by the AUEW, though it is unclear how many will attend.

'Boost industry' accord

BY JOHN LLOYD, LABOUR CORRESPONDENT

SENIOR TUC leaders and Shadow Cabinet members have agreed a series of proposals aimed at boosting industrial production, including the use of import quotas to protect UK

industry from further discussion. The statement will now be referred to separate meetings of the TUC's general council and the Labour Party's national executive, both of which take place tomorrow.

Besides controlling imports, the statement calls on public bodies to buy British goods. It was agreed that the National Enterprise Board should be expanded under a future Labour government.

Other measures called for include a state investment bank, the restoration of exchange controls and increased public expenditure.

Musicians' pin hopes on Goodman

BY OUR LABOUR STAFF

HOPES OF a solution to the seven-week BBC musicians' strike centred last night on fresh attempts at mediation presided over by Lord Goodman.

Representatives of BBC management and the Musicians' Union met at the offices of the Advisory Conciliation and Arbitration Service, where both sides said they hoped to concentrate on the issues underlying the dispute rather than simply on a formula for saving the Promenade Concerts.

Mr. Stan Hibbert, deputy general secretary of the union, said that so long as the BBC failed to withdraw its notices of dismissal to musicians, the two sides would remain "far apart."

The resumed negotiations arose from a Commons Select Committee initiative last week which recommended tripartite talks between the BBC, the union and the Arts Council in the presence of Lord Goodman.

ICI staffs may accept pay deal

BY OUR LABOUR STAFF

UNION LEADERS from two large white-collar groups in ICI agreed yesterday to consult their members on new management proposals for a 16 per cent pay settlement.

In resumed negotiations with leaders of 8,800 clerical and administrative staff and 5,900 scientific and technical staff, management offered a programme of discussions on a

range of issues such as hours of work and the company's "general relationship" with its staff.

As in the case of the manual workers who accepted a 16 per cent deal last month, the company took a firm stance against increasing the cash offer to its white-collar work force.

The offer, which includes improvements in holidays, was previously rejected by unions

who last week led the first industrial action in these ICI staff categories.

The company said that it hoped shortly to have similar talks on pay with 1,800 engineers represented by the Association of Scientific, Technical and Managerial Staffs and TASS, clerical section of the Amalgamated Union of Engineering Workers, who initiated last week's "day of action."

مكتبة الأصيل

UK NEWS - PARLIAMENT and POLITICS

Electricity monopoly will end—Howell Telephone legislation 'will provide new opportunities'

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE GOVERNMENT intends to introduce legislation to allow private companies to produce and sell electricity in competition with the Central Electricity Generating Board, the South of Scotland Electricity Board and the North of Scotland Hydro Electric Board.

This was announced in the Commons yesterday by Mr. David Howell, the Energy Secretary, during a speech in which he stressed the Government's determination to make nationalised industries more efficient.

He was replying to a Labour motion recognising the contribution of nationalised industries and deplored "the Government's damaging policies which seek to fetter and reduce public sector activity to the disadvantage of the British people."

Mr. Howell told the House: "I am glad to confirm our intention to remove the statutory prohibition on the generation of electricity as a main business and do so as soon as a suitable legislative opportunity arises."

"We are determined to make nationalised industries more efficient, more responsive to the needs of taxpayer and customer and more able to run their own businesses within strict financial and performance criteria."

The Government is firmly of the view that the public sector is overextended and we want to restore the balance."

He claimed that at the present levels of unemployment, Labour Party policies would make an ugly situation far worse. "The bellows approach to putting up demand by monetary inflation is useless."

He argued that in order to provide jobs and prosperity in the years ahead Britain had to look to smaller companies providing products and services which might not even be known at the moment.

Nothing could be more inappropriate than to "humber" Britain with industrial centralism. According to Mr. Howell, the Government's approach was practical, but was essentially questioning about the State sector.

In all, he said, nationalised industries had been responsible for a net addition to the PSBR of £2,300 in 1979-80, 19.5 per cent of the total. This could not be changed overnight and in that year the Government had been severely limited by time.

"This year, our policies will begin to have the opportunity

in shape things more decisively," he said. "Above all we are convinced that the cash limits system can only work if it is adhered to."

Of course, there will be difficulties and changing circumstances. We are always prepared to talk to the nationalised industry chairmen about their problems. If their difficulties require modification, we are prepared to consider each case."

Leading the Opposition attack, Dr. David Owen, Labour's Energy Spokesman, said that in an article written during Mr. Heath's administration, Mr. Howell had described monetarist policies as "ludicrous nonsense."

Scathingly, Dr. Owen said that Mr. Howell would not qualify as a "wet" or a monetarist but as a "drip." The Government's cutback on the public sector, said Dr. Owen, owed nothing to logic and everything to prejudice. Day by day it was contributing to the economic disaster of Britain.

He pointed out that the country was on the eve of an announcement which would show that the Government's policies had led to the most damaging unemployment figures since the 1920s and 1930s.



Howell: "The public sector is overextended"

Wherever one looked in the world the economic recession was beginning to bite. But in Britain it was not just a recession—it was a deepening slump.

He doubted whether Sir Keith Joseph, the Industry Secretary, had any understanding of what the public services were about. The Government only seemed to extol the merits of the private sector. Yet now it was finding that even private industry was laid out on its back.

The steel industry is a tragic example of mismanagement and incompetence," said Dr. Owen. "It is a shambles of an industrial policy."

There was now a major fear that there was about to be a Government attack on the naval shipyards of Yarrow, Vosper and Vickers, which were within British Shipbuilders.

"If this is to be done it will have a devastating effect," he protested. "It shows the doctrinal, dogmatic attitude of this Government to anything that is in the public sector."

In addition, he strongly criticised the steep increases in contract gas prices to industrial consumers and described it as "economic madness."

BY IVOR OWEN

BUSINESS AND domestic subscribers will be able to choose from a wider range of ancillary equipment as a result of the partial liberalisation of the State telephone system planned by the Government, Sir Keith Joseph, the Industry Secretary, announced yesterday.

He told the Commons that legislation to be introduced in the next Parliamentary session, while preserving the basic telephone network monopoly, will provide opportunities for the telecommunications industry to develop new products and break into new markets at home and abroad.

Sir Keith, who encountered far less strident criticism from the Opposition benches than when he announced the relaxation of the Post Office's mail monopoly last week, looked to partnerships developing between the private and public sector.

He emphasised that foreign competitors will only be able to enter the British market to supply private branch exchanges and other ancillary equipment where similar opportunities are available in their home markets to British manufacturers.

Sir Keith gave this outline of how the restrictions now imposed by the State monopoly over the supply of terminal equipment attached to the network and over the provision of services to third parties using British telecommunications circuits will be eased:

● It will be much easier for equipment supplied by the private sector, including all private branch exchanges, to be attached to the network.

● People will have more freedom to use British Telecommunications' circuits to offer services to third parties which are not currently provided by

British Telecommunications, for example in the data processing field.

● The scope for allowing the private sector to provide telecommunications transmission services such as satellite business systems is also to be explored.

Sir Keith made it clear that there will be a transitional period of about three years before the introduction of ancillary equipment manufactured by the private sector is permitted.

Subscribers, he said, would then be free to attach and maintain independently approved equipment which meets the necessary technical standards.

mission an independent economic assessment of the implications of allowing complete liberalisation for what are commonly referred to as value added network services," he said.

Sir Keith underlined the fact that British Telecommunications would be free to compete with the private sector.

But to ensure fair competition, the Government would take powers to require British Telecommunications, where appropriate, to create a separately accounting subsidiary or subsidiaries where it was in competition with the private sector.

"We shall welcome partnerships with private capital in these subsidiaries," he said.

Mr. John Silkin, Labour's Shadow Industry Minister, pointed out that the whole of British Telecommunications investment was self-financed.

The Government's proposals would deprive it of some of its most profitable outlets, he said, and how could this possibly help to reduce telephone waiting lists or the high level of telephone charges.

Welcoming the proposed changes, Mr. Kenneth Baker (C., St. Marylebone) said they preserved the Post Office's basic network monopoly while providing the opportunity for partnership between the public and private sector to provide ancillary equipment.

When Mr. David Penhaligon (Lib. Truro) asked if the ending of the monopoly network had been ruled out for all time, Sir Keith stated: "I think the answer to that is an unqualified 'No.'"

"I have not rejected any such proposition. I have today announced an inquiry into how much further we can go in liberalising that monopoly."

Bottlenecks

The only exceptions would be the supply, installation and maintenance of the first telephone and associated wiring connected directly to the main network, and the maintenance of private branch exchanges and associated wiring, for which British Telecommunications would remain responsible.

"This substantial change will give the business and domestic customer a wider range of equipment from which to choose, and should remove many of the bottlenecks resulting from the Post Office's present exclusive privilege of supplying such equipment," stressed the Minister.

Dealing with the effect of the decision to allow people more freedom to use British Telecommunications' circuits to offer services to third parties, Sir Keith forecast a significant growth in information, data transmission, education and entertainment services over telephone circuits and the emergence of new businesses.

"I have also decided to com-

Carrington hints of softer line on Russia

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

AN INDICATION that Britain will be making a fresh attempt to improve relations with the Soviet Union during the coming year was given yesterday by Lord Carrington, the Foreign Secretary.

His speech—which marks a distinct change of emphasis from the Government's hard line attitude to Russia following the invasion of Afghanistan—was made to a press gallery lunch in the Commons. His conciliatory tone was all the more surprising as it came at a time when the controversial Olympics are in full swing in Moscow.



Carrington: "We need not be resigned to perpetual confrontation"

"We have to make a special effort on East-West relations," he declared. "We must not compromise or dream of compromising on our principles or on our defence."

"But we need not necessarily be resigned to perpetual and permanent confrontation. That is surely not the way in which we want to live."

"We have to have an overall balance of perspective on East-West relations. That is something in this next year or two to which we have to give a lot more thought."

The Foreign Secretary, who was reviewing progress on foreign affairs during the Government's first 14 months in office, was optimistic about the future of Zimbabwe. But he

was strongly critical of Britain's allies for not doing more to give financial assistance to the new state.

Following the elections in Zimbabwe there had been a great deal of euphoria which overlooked the tribal difficulties facing the country. But now the pendulum had swung too far the other way and people were too pessimistic about what was happening there. Realists would, he understood, that there was going to be a difficult

time in the new state.

Lord Carrington, however, was convinced that Mr. Mugabe would pursue a policy of moderation which Britain could support.

"We have to do everything we can to help him," he said.

Lord Carrington was disappointed at the response of many countries to Mr. Mugabe's need for financial assistance. It was "disappointing and sad" that Mr. Mugabe had not been able to get more money.

"In three years that economy will be self-sufficient," the Foreign Secretary predicted. "He needs to be tied over for three years. I hope our friends and allies will do more than they have in the past."

In addition to East-West relations, Lord Carrington listed three other areas in which Britain would need to concentrate in the coming year.

1—We had to look much more closely at the co-ordination of policies between the countries of the West.

2—There had to be concentration on the problems of aid to the developing world.

He emphasised that the Government really was looking at the Brandt report and would examine it with its European allies to see what contribution the UK could make.

3—Britain also had to press ahead for reform of the Common Agricultural Policy and ensure that more of the EEC

budget was spent on industrial regeneration, regional policies and transport.

Lord Carrington believed that there was now a greater identity of interest among Community members to see that the budget was restructured.

"But don't let us pretend it is going to be easy," he said. He thought there had been

a considerable increase in political operation within the Community and this had not been affected by the differences of opinion over the size of the budget.

"Europe is beginning to speak with a united voice and country for much more in the world than it would if we spoke as nine separate countries," he emphasised.

Government defeat in the Lords on Housing Bill clause

BY ELINOR GOODMAN, LOBBY STAFF

THE GOVERNMENT was caught badly off guard in the Lords yesterday when it lost four divisions in a row on the Housing Bill.

It was only the second time the Government had been defeated in the Lords this session and was indicative of the problems the Government's whips in the Lords face in getting their backbenchers in the House day after day during the summer. Yesterday evening they were doing all they could to find additional supporters.

The first defeat came on a clause in the Housing Bill dealing with council accommodation for the elderly.

Bishops and some Conservative Peers joined with the Opposition to force through an amendment which, if it survived in the Commons, would mean that local authorities would not be obliged to sell off accommodation normally let to old age pensioners to sitting tenants.

Despite a compromise offered by the Government, the amendment was carried by 109 to 74 in a vote which may be indicative of the kind

of trouble the Government may face on some clauses in the Local Government Bill when it gets to the Lords.

The amendment will now go back to the Commons for consideration. Technically, it could be thrown out by MPs but there has been considerable pressure from Conservative supporters in the constituencies for this change to the Bill.

The worry has been that if old age pensioners renting accommodation specially built for the elderly were given the automatic right to buy, local authorities could find that stocks of such accommodation became exhausted.

The Government did make some provision for this in the Bill but it did not go far enough for the Opposition. The point was made during the Bill's committee stage and the Government promised to consider the situation.

At the report stage in the Lords yesterday, the Government proposed an amendment of its own which would have meant that local authorities would not have to sell sheltered accommodation.

But Barness Birk, the Opposition spokesman in the Lords on housing, backed up by the Bishop of London, argued that without their amendment local authorities would be in serious trouble providing homes for the elderly in future.

The only other defeat in the Lords for the Government this session was over its plans to charge for school transport.

Since then, the Government has agreed to make various changes in minor aspects of its legislation as a result of objections in the Lords.

But, given the pressure of business in the Lords over the next few weeks, the Government could well be defeated again as it is far more difficult for the Conservative whips in the Lords to persuade all their backbenchers to turn up for every vote than it is for the Commons whips.

The big test will come in the Local Government Bill, where a number of former Conservative local Government leaders, now in the Lords, have serious reservations about some of the proposed new legislation.

Power stations plan 'inadequate'

BY MAURICE SAMUELSON

THE TEN-YEAR programme of building nuclear power stations to which the Government is committed, will fail to provide the country with adequate and secure supplies of electricity, MPs were told yesterday.

The warning came from the Friends of the Earth organisation which, in evidence to the Commons Select Committee on Energy, switched its main criticism of nuclear power expansion from the environmental risks to economic and technical effectiveness.

Claiming that the Energy Department had both over-

estimated electricity demand in the next two decades and under-estimated the cost of the nuclear plant programme, Mr. Czech Conroy, the Friends' campaign director, said that the Government was "putting all our eggs into the nuclear basket."

If the PWR turned out to be unsatisfactory, the huge investment in it "may turn out to be a very silly decision."

The £15bn officially forecast as the cost of the nuclear power expansion programme, would be more profitably spent on a broad combination of energy efficiency measures, on combined heat and power (CHP) systems to provide district heating from power

station waste, and on renewable energy sources such as solar heat and wind power.

In a memorandum to the committee, the Friends said that West Germany was roughly twice as efficient as the U.K. in its use of fuel, but that the UK could quadruple its fuel efficiency.

In combined heat and power, Britain was falling behind other European programmes, yet a programme of eight to ten CHP stations would be far cheaper than a nuclear power station programme of similar capacity.

According to the Friends, the cost of the nuclear power programme would be more than the Government estimated

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MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

A new conglomerate steering device

After yesterday's analysis of the strategic impact of Reed International's unusual approach to planning, Christopher Lorenz explains how the system assesses the interactive effect of changes in the economy and in internal corporate policies

ONE OF John Chandler's first acts as Reed's planning director was to take an entirely fresh look at the company's composition in its "portfolio of businesses," to use the popular jargon. His conclusions came as a considerable shock to many Reed stalwarts.

The tradition at Reed had been to see "paper" as the unifying theme of the group, recalls Chandler, whether in its raw forest state, or as paper proper, or made into containers, or a raw material for publishing or wall coverings.

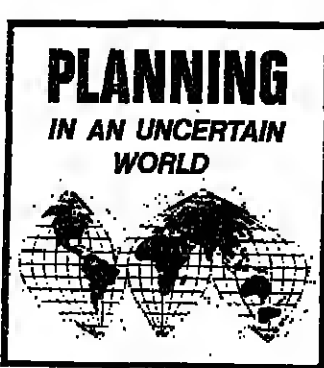
"When we examined this concept more closely we perceived that in fact there was very little inter-supply among our wholly-owned activities," instead, he and his deputy, Bill Bane, identified about 60 substantial businesses, each of them serving identifiable separate market sectors. "In other words, we were and are clearly a conglomerate."

Once this had been realised, it was obvious that the lines on which the group reported and planned had to be re-drawn, so that each activity (or "business") could be singled out for individual attention. It is one of the more fundamental if mundane achievements of Reed's planning system that its executive committee now receives monthly performance reports from each of its businesses.

Chandler and Bane had been brought into Reed at the end of 1973 from the corporate staff of one of its main subsidiaries, the International Publishing Corporation (IPC). They came hard on the heels of their boss, Sir Alex Jarratt, whose move from IPC to the executive chairmanship of Reed had been made at the beginning of the year.

The brief Jarratt gave them was to construct a realistic and resilient planning system which would help him and his colleagues run the business. In the light of the diversity of the Reed empire, and the ambitious character of the system they decided was necessary, it is not surprising that it was almost two years before Chandler and Bane could bring it into full operation—just in time to help Reed with a divestment-and-control drive which by late 1977 had become extremely urgent.

After identifying the nature of the animal over which they had to help management get a



tighter grip, one of their next moves was to analyse all the factors, internal and external, which influenced the actions, health or sickness of its various limbs.

On the internal side were financial policy (debt/equity ratio, dividends, etc.) and operational policy (prices and cost structure, hence margins, levels of capital employed, depreciation, prices for acquisitions and disposals). External factors included interest and exchange rates, inflation and product demand.

Another key initial step was the adoption of a realistic corporate objective: not one of those generalised, high-flown ideals ("to be a prosperous and expanding international corporation... etc.") which is so vague as to be what Chandler calls "a statement of belief in motherhood," but something quite specific, to which both management attention and the plans themselves can be geared. Reed chose as its objective the maximisation of the value of its corporate portfolio by the end of 10 years.

Primary measure

Construction of the planning system itself was then begun. The overall approach, says Chandler, was "to take the information provided by the constituent activities in their annual and long-range plans, assemble and consolidate it into a data base (Data Base I in the diagram), and then re-manipulate it into a second database given different assumptions about internal policies or environmental influences."

Because of the "apples and pears" complexity of the Reed

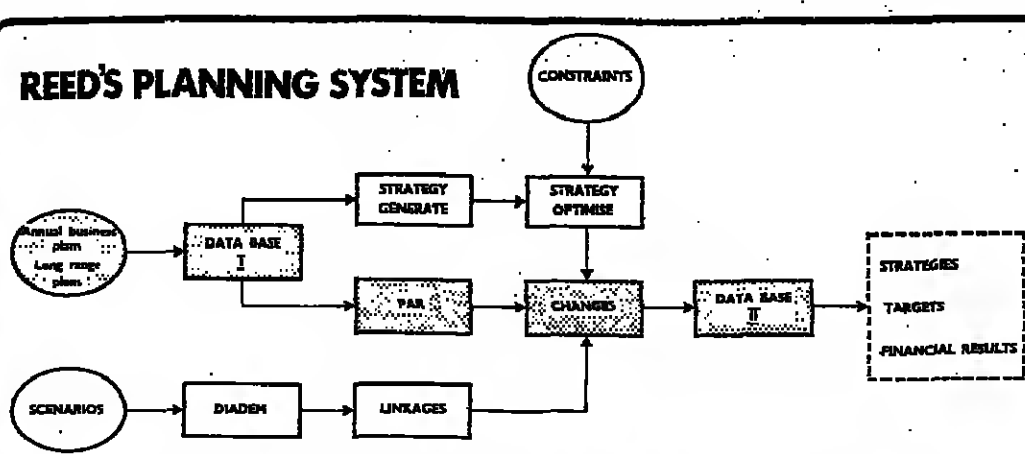


John Chandler: "It is easy enough to derive a strategy for a single business, but to put 60 of them together and optimise strategy within limited resources is a highly complex task."

empire, it was impossible to use any profitability measure as a consistent criterion of comparison between businesses, so cash flow was chosen as the primary measure.

Chandler's "re-manipulation" consists of three basic stages: first, an investigation by his planning department of the degrees of uncertainty implicit in the businesses' various plans. This is followed by a review of ways in which the plans could be altered—including, where applicable, a complete restructuring of the business concerned. Finally, a trade-off is made between the medium-term security of a business and its long-term development.

The system comprises a series of computer models. The central one, indicated in the diagram by the name "Changes," computes the effect on the businesses' draft plans of internal and external influences. Into the changes model are fed three sets of inputs: external data on the diagram; a comparison of Reed's performance with that of other relevant companies ("Par"); and alternative strategies for individual businesses, prepared by Chandler's planning team (the top line on the diagram, "strategy generate," etc.). The "Changes" model,



then produces a database (Data Base II) of revised results based on changes in the environment and on the alternative strategies (the dotted-line box). In building up the mechanism for assessing internal achievements and strategy, Chandler received invaluable aid from a highly unusual collection of data on multinational business performance. This was the "PIMS" database programme, which was originated by U.S. General Electric, but has since been transformed into an independent service, offered by the Boston-based Strategic Planning Institute.

PIMS gave him the ability to plot the past and expected performance of Reed's 60 businesses against the "par" (average) record of nearly 2,000 business units—many of them directly competitive—in Europe and North America. The PIMS programme (standing for "Profit Impact of Market Strategy") is described in detail in the Financial Times booklet of collected articles on Planning in an Age of Uncertainty.

The section of Reed's planning system which deals with changes in the external environment brings together several elements: the "Diagnosis" international economic forecasting model provided by the Economic Models consultancy; Reed's own macro-political and economic "scenarios," offering a wide range of possible assumptions; and Reed's own production demand "linkage" equations, indicating how far demand for the group's main products responds to economic changes. As described so far, the system only analyses the effect of external factors on the existing businesses, and the relative

international standing of those same businesses. The purpose of the "strategy" side of the system is to consider alternative strategies for each of Reed's businesses, and to assess the potential interactive effect of such changes on other businesses and on the group as a whole, as well as the likely implications of such changes for resource allocation within the group.

As Chandler says, "It is easy enough to derive a strategy for a single business, but to put 60 together and optimise within your limited resources is a highly complex task."

Dramatic surge

The 45 strategies which Chandler's five-man team generated for each of the 60 businesses represented combinations of the following basic strategies:

- maintain market share
- shrink slowly/fast
- dispose
- grow slow/fast organically
- grow by acquisition in existing markets
- grow by acquisition in new but similar markets

After the strategies have been generated, a series of constraints is imposed in order to produce optimum strategies ("strategy optimise"). These take into account a wide range of considerations, ranging from monopoly or political risk to "even sheer distaste, such as antipathy to publishing pornography," to quote Chandler. Some of the constraints are corporate-wide (such as cash flow and borrowing limits),

others are applied to particular sets of businesses (for example no more money into a particular territory), while others refer to individual businesses.

The most dramatic illustration of the need for such constraints within the system came in 1978, when Reed ran the model without any debt limit. Those businesses already set to grow showed a dramatic extra surge, says Chandler, "but debt in the first five years just about trebled, and gearing soared out of sight."

"More than anything else, this brought home to management that our businesses are extremely interactive," he says.

"Growth absorbs resources, so while some businesses are nominated for growth, others must be in a 'harvest' situation" (implying either disposal or treatment as a "cash cow").

So when Reed's operating managers met at that time to discuss the final output of the "Changes" model—the revised individual plans and strategies—they were left in no doubt that the rejection of a divestment proposal must also limit their opportunity for expansion in the more profitable activities.

"The discussion of strategies can, as it should, take on the character of a negotiation among skilled and informed executives of what the long-term plans for the corporation should be," stresses Chandler.

Though Reed's debt-equity ratio is no longer seen as a major constraint upon its growth, this is just one example of the way Reed's planning system has encouraged—one hesitates to say forced—the

company's managers to think in a more disciplined way, not only at the centre but also increasingly at divisional level and below. At Reed Decorative Products, for instance, Malcolm Glenn says he has "asked more questions" of himself than he used to do, and prepared more robust plans.

For the first two years the complete system was run, in 1977 and 1978, Chandler's department produced "optimum strategies" for each of the 60 businesses. These were fed to the annual autumn planning conference for discussion, amendment and decision by management of the group. Inevitably, it was an unwieldy and time-consuming process.

Now that most of the businesses' strategies are clearly established, the complete "strategy optimise" process will be gone through only about every three years. In effect, this may mean that strategy ceases to be "banded down" to the divisions and individual businesses as often as in the recent past; this, increased degree of decentralisation was also implicit in last year's restructuring of top management into three "product areas," each under one of Sir Alex Jarratt's board colleagues.

Both the planning department and the annual planning conference now focus most of their attention on those few businesses whose performance suggests that substantial strategic changes may still be justified. Such has been Reed's recovery that the majority of such cases are now candidates for faster growth—rather than the opposite—whether organically or by acquisition.

It is with ways of reducing the risks of diversification that Reed's planning department is now particularly preoccupied. But it is taking a new look at its existing businesses, many of them already in a "mature" stage of development, in an attempt to assess their long-term viability. So John Chandler's planning horizon has now doubled, from 10 to 20 years.

"Available from Diana Twiss of the Financial Times Publicity Department. Price £1 + 15p p. + p. Payment to be enclosed with order."

Management abstracts

These summaries are condensed from the journals of abstracts published by Amber Management Publications. Readers wishing to consult original texts should write to: PO Box 23, Wembley HA9 3DJ.

The Personal Secretary as a PA. R. Höhn in *Verwaltungslehre* (German), Jan/Feb. 1980: p. 31 (2 pages, in German, English version available).

Examines the position of the top manager's secretary whose task increasingly defines critical definition while growing in importance. Suggests that the advent of word processing adds to the need for clear thinking.

Is Corporate Advertising Talking to Itself? J. Webb in *Advertising and Marketing* (UK), Winter 79/80: p. 8 (7 pages, in English).

Criticises much corporate advertising for excessive self-gazing, and argues that it should be directed towards publishing a company's services/benefits; outlines points to consider when developing such an approach; gives named examples of good and bad.

MBO: An Idea Whose Time Has Gone? C. H. Ford in *Business Horizons* (US), Dec. 79: p. 48-51 (Feb. 80: p. 7-20) (pages, in English).

Argues that the goals of management by objectives have been lost in the "science" of the process; gives brief examples to illustrate difficulties associated with MBO in action, and draws conclusions about its failure to achieve results; despite the validity of its goals. Describes an alternative decision-making structure to overcome the perceived weaknesses of MBO, which aims to encourage timely decisions; involve lower-level management; improve co-ordination and communication throughout the chain; and assess individual management performance.

Joint Consultation in ICI. F. Armistead and others in *Industrial Participation* (UK), Winter 79/80: p. 3 (7 pages, in English).

Describes the formal and informal joint consultation structure operating at the ICI engineering works at Billingham, and reports on a review of its effectiveness by a project team consisting of managers, supervisors and shop stewards; discusses the team's terms of reference, procedures for tackling the project and recommendations.

Technical News

EDITED BY ARTHUR SEWITT AND TONY SCHMIDTKE

SECURITY

Double lock to foil the intruder

INCORPORATING BOTH a mortise lock and a cylinder lock, as well as a lever-type door handle in one neat chrome-plated unit, is a new lock by Boda, known as the Boda 451 from Björkroda Bruk AB of 25660 Björkroda, Finland.

Mortise lock has eight tumblers, and there are over 100,000 key combinations. When the key is turned a full 360 degrees, it shoots the steel bolt which, in the locked position, protrudes 21 mm.

The bolt is said to withstand a lateral pressure of at least 1,120 lb—or a pressure of 1,120 lb—to force the lock by pushing the bolt backwards into the casing. Key cannot be withdrawn from the lock before the bolt has shot the full 21 mm.

Cylinder lock can be fitted with either a single or double cylinder whose spring bolt protrudes 20 mm. In many cases, existing cylinder locks and lever handles can be used with the Boda 451.

Lock can also be equipped with a hardened drill-proof sheath, and a lever handle and escutcheons for anchoring with through-door screws. Standard

model is designed for doors not exceeding 65 mm thick, although longer keys can be supplied.

COMPUTERS

Solid-state keyboard

KEYSWITCHES WITH a life stated to be in excess of 300m operations have been used in a new solid state keyboard from Cherry Electrical Products, Coldharbour Lane, Harpenden, Herts. AL5 4UN (05857 63100).

The completely integrated keyboard encoder needs only 10 to 100 hits for 110 keys with four modes per key. The codes are designed in via a low cost mask option and any code can be selected including ASCII, USASCII, Baudot or EBCDIC.

Scan time is adjustable from 10 to 30 microseconds per key and a unique noise immunity circuit is included to distinguish "zoo" keys from noise. A number of special options can be supplied.

NAVIGATION

Marks the deep water highways

TO MEET the need for modern light and sound signal radiation in crowded deep sea shipping lanes, AGA Navigation Aids of Brentford has developed an unmanned vessel which can be maintained on station for three years with the minimum of servicing.

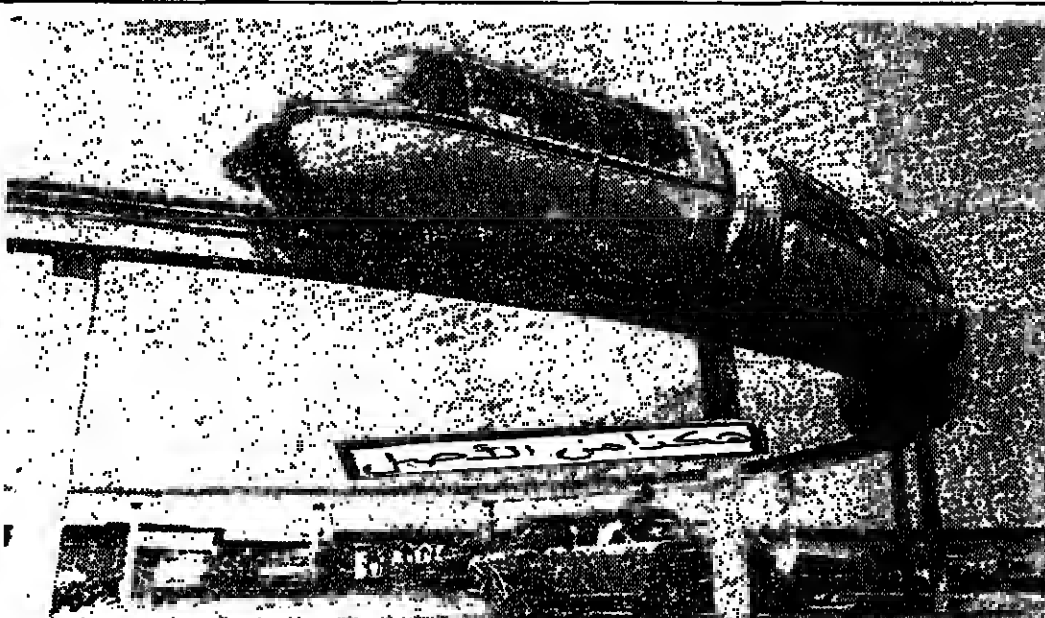
New hull lines make possible very simple low cost construction, while the vessels have deep water open sea capability, are fitted with rugged well tried light and sound equipment and carry sufficient energy supplies for three years.

Two vessels of this type have just been supplied to Trinity House at a cost of £700,000 and one will be used in the traffic separation scheme in the English Channel in 70 metres of water off the Casquets.

These unmanned vessels are 21 metres long, carry 27 km rotating acetylene gas lights maintained in the horizontal plane by a pendulum system, and electric sound generators with a three kilometre range.

Particular attention has been paid to easy hoarding when a sea is running and comfortable working conditions during maintenance. First sea trials of the vessels will be completed shortly.

More from Beacon Works, Brentford, Middx. TW8 0AB (01-560 6465).



Controlling the Rhyl monorail

ELECTRIC MOTOR drive and control systems for the first UK public passenger carrying monorail, due to start running along Rhyl promenade on August 1, have been the work of Allen Bennett of Sheffield, which recently joined the Associated Engineering Group.

Each of the three carriages in the train will have a 15 hp motor with an electronic controller,

the three controllers being interconnected via a load sharing network. Normally the entire load is shared equally between the three motors but if one fails the other two will share the load. Given any overall fault the systems shut down in a controlled sequence, stopping the train.

Speed, direction and acceleration/retardation rates are

controlled using a foot switch and pressure sensitive joystick but if excessive rates are demanded an electronic control takes over to prevent passenger discomfort.

An interesting development is a collision prevention system using modulated light sources; this will halt the train if it approaches within 15 metres of another or if the line is blocked.

IN THE OFFICE

More flexibility with new readers

THE LF series of microfiche readers from Agfa-Gevaert, of which some 200,000 have already been sold throughout the world, is to be expanded, the emphasis remaining on engineering excellence, clarity of image and ease of use.

The new Copex LF102 has a single lens position into which one of three lenses can be fitted to a second or two to give magnifications of 18:1, 36:1 or 42:1.

The unit should prove useful where a single magnification is needed most of the time but there is a periodical need for work with another lens. The LF104 on the other hand has two lens positions and is intended for use where work switches frequently between two magnifications.

Also available soon will be a universal flat microform reader for which four filmholders are

available and can be interchanged. The standard holder takes single jacket, aperture card or fiche up to 180 x 240 mm, another takes A6 only, a third will take two A6 microforms side by side and a fourth is a double jumbo holder aimed at the motor vehicle industry. A sliding dual lens system is used.

More from 27 Great West Road, Brentford, Middx (01-560 2131).

INSTRUMENTS

Measuring the oil content of water

IN SUCH installations as power stations and petrochemical

instrument which, by a process of sampling and subsampling

still can be provided to return pure carbon tetrachloride

PRINTING

Equipment for graphic arts use

A NUMBER of new products of interest to both in-plant and commercial printing concerns have been put on the market by the Antex Group, 47, Osborn Road, Thornton Heath, Surrey CB4 5PD (01-771 9381).

One of them, the Pakofot 5500 automatic focus copy camera, is an interesting application of the microprocessor in new designs of equipment in this case making operation much more straightforward. The micro automatically sets correct positioning for the required degree of enlargement or reduction, estimated from sizing data fed into the control panel. The camera also has a through-the-lens exposure control which in conjunction with pre-set programs ensures the optimum setting for any photographic material.

Eskofot 1325 offers push button electrostatic platemaking at the rate of over 200 per hour, with between 64 and 105 per cent enlargement up to 396 x 560 mm, while other new offerings include rapid access processors; a film contact printer; and a densitometer.

CONSTRUCTION

Where to find the quarries

BASIC RAW materials for the construction industry, as well as limestone for use in agriculture and a wide range of industrial applications are supplied from quarries. These materials are used for the production of iron and steel, glass, cement, sugar, and a variety of components and consumer durables based on rubber and plastics.

Society will need quarrying if the quality of life as we know

LAING

make ideas take shape

MATERIALS

Dishes can be thrown away

OFFERED FOR use in fast-food restaurants, take-aways, or for serving staff catering problems, are rigid paper dishes called Ovalex, result of a joint venture between Deako and Metal Box.

A polyester coating when extruded on a paperboard base provides a material which is completely moisture/grease resistant, says the maker.

Because it can withstand temperatures of more than plus 400 deg F and as low as minus 40 deg F, all types of food can be successfully prepared in the dish, which can then be deep frozen for storage.

The dishes can be printed with designs or logos, can be thrown away after serving, or perhaps used as the serving dishes themselves.

More from Deako-Metal Box Ovalex, 2 Garman Road, London NW7 (01-808 5871).



CORRECTION TO NOTICE PUBLISHED 25.4.80

CREDIT SUISSE (BAHAMAS) LIMITED CREDIT SUISSE

Notice to the Holders of the 4 1/2% US\$ Conv. Debentures 1976-1991 (V. No. 643,025) and the 4 1/2% US\$ Conv. Debentures 1979-1993 (V. No. 643,026) of Credit Suisse (Bahamas) Limited

In compliance with the Trust Deeds constituting the above-mentioned Debentures, Notice is hereby given that at the Annual General Meeting held on April 1, 1980, the shareholders of Credit Suisse have approved the increase of the share capital in two steps from S.Fr. 1,195 million to a total of S.Fr. 1,335 million.

In conformity with the Trust Deeds

FINANCIAL TIMES SURVEY

Tuesday July 22 1980

Vans and Light Trucks

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Customers are becoming very particular about their requirements so that manufacturers are forced to compete in running costs, fuel economy and other areas beyond initial cost price. New models and diesel engine options are making an impact, leaving no respite for the market leaders.

Drivers given more say

By Kenneth Gooding
Motor Industry Correspondent

IN THE PAST buyers of vans and light trucks have been far less discerning than the heavy truck purchasers. The heavy-duty commercial vehicles have always been so relatively expensive and the cost of running and servicing them so considerable that financial considerations loomed very large.

But in the light trucks and vans sector, fashion or personal preference, or outright bias, sometimes outweighed the financial aspects.

Even before the recession that was changing fast. Where a few years ago the financially-oriented transport manager would inquire: "How much?" today he wants a complete rundown on total running costs.

One light truck dealer was asked recently to provide details of no fewer than 84 key items, by a potential customer who then moved on to ask the same of other dealers' vehicles.

To some extent this new approach has been stimulated by the truck salesmen themselves who are now trained to concentrate on the "total operating cost" details rather than just the list price which so often has not much to do with the real price.

Customers are also demanding what one marketing director described as "more truck for the money." This means "more" as seen through the eyes of the driver.

Operators and fleet managers are much more concerned today about the driver's requirements and about giving him the kind of vehicle he prefers to drive.

That goes further than just more cash comfort—although drivers obviously prefer, say, a delivery van where they can simply step in and out rather than clamber over some hulbous obstruction.

Europe, and you land the person who is supposed to reply in considerable difficulties.

Of course, it is easy to talk in generalities. But the truth is that the statistics are hard to come by. Particularly in the 3.5 to 7.5 tonnes part of the sector where the complexity of types of vehicles and derivations make meaningful comparisons almost impossible.

The truck market as a whole is inherently more difficult to analyse than the car market. It is much less homogenous with the differences between a panel van and a four-axle tipper being more pronounced than between, say, a Mini and a Rolls-Royce.

However, analyses are made. The Economic Models consultancy group, for example, bases its calculations on data supplied by its commercial vehicle clients who include components suppliers as well as truck or van makers.

Forecast

Economic Models' European forecast suggests that this year there will be quite a severe drop in registrations of light vans (that is, car-derived vans and non-car-derived vans of up to 2 tonnes gross vehicle weight). The organisation reckons sales will fall from 325,201 by 13.4 per cent to 281,649.

But there should be some recovery the following year until the next peak in demand is reached with registrations at 331,373 in 1984.

Overall, there should be growth equivalent to about 2.5 per cent to 1985, or under half the rate experienced between 1975 and 1980.

The same overall growth is predicted for medium vans



Pick-up version of the Ford Transit, Europe's best-selling goods vehicle

(goods vehicles over 2 tonnes and up to 3.5 tonnes). According to Economic Models, European registrations of this type of vehicle last year reached 432,017 and this year should fall back to 391,830. A further slip to 385,870, is forecast for 1981 but then recovery should come until by 1984 the previous record is exceeded with 454,760 registrations.

The forecasters expect a slow decline in the 1980-85 period for light rigid (goods vehicles between 3.5 and 16 tonnes gross vehicle weight).

From 162,722 registrations in 1979, the fall this year is expected to be a modest 3.6 per cent to 156,870. After a further decline in 1981, the best this particular sector can hope for is registrations of 160,000 in 1983.

The industry measures its

performance in unit rather than sales value terms. And using the industry method we find that Ford has taken over Europe's commercial vehicle market leadership this year.

Ford's strength—in unit terms—is at the lighter end of the market and it is the company's success in the vans and light trucks sector that has given it that leadership.

Facelift

The group has in its "stable" of commercials the Transit, the best-selling goods vehicle in Europe of which 1.5m have been sold since it was introduced in 1965 (there was a 1978 facelift).

In the first six months of 1980 Ford sold 103,600 commercial vehicles in Europe which it reckons gave it 14.4 per cent of the market. (The company believes it will remalo

in first place for the rest of the year.)

In the half-year, Renault was in second place with 13.7 per cent, Peugeot had 13.6 per cent (the French score heavily on the unit sales basis because their home market is such a huge one for car-derived vans taking 149,600 out of the 334,000 delivered throughout Europe in 1979, Mercedes 10.9 per cent, and Volkswageo 10 per cent.

Perhaps more significant than Ford capturing the lead at a time when its products have become in free supply for the first time in years, is the penetration of Europe by the Japanese. After achieving 8.8 per cent in 1979 the Japanese pushed up to 10.2 per cent in the first half of 1980. This topic is dealt with at length elsewhere in this survey.

The continued success of the

"facelifted" Transit, coupled with Ford's financial stringency now being operated throughout the world because of its difficulties in the U.S.—where it is expected to lose up to \$2m on its automotive business this year—makes it certain that a replacement remains a long way off.

But Ford will have to judge very carefully just how long it can wait before laying down the capacity to make the Transit's successor.

It is true that Volkswagen waited 30 years before replacing its highly-successful 1-tonne Transporter. This vehicle was revamped in 1967 and then replaced in Europe last year.

The old Transporter (still being built in some countries) sold 6.5m world-wide before the change. Sales of the old vehicle were beginning to slip and the newcomer neatly reversed this trend.

Two new vehicles to be launched shortly in the vans and light trucks sector are bound to have an impact on the European scene. The first to arrive, this autumn, will be Renault's "F" range, vehicles rather like the Fiat Daily, and which ultimately will go up to 5 tonnes gross vehicle weight. In France, Renault already has 47 per cent of the market segment at which the F range is aimed and there seems little to stop this rising to 50 per cent after the introduction.

Fiat's answer to the Transit and the Bedford CF, which have done so well on its doorstep in Italy, is to be launched sometime next year. Called the Fiat 238, it is the first product from a company jointly owned with Peugeot, called SEVEL. Originally it was

planned for Peugeot to market the vehicle too, possibly with a Dodge badge on it now that Peugeot owns the Dodge business in Europe.

The main reason the Transit and Bedford CF made such headway in Italy was that they offered a diesel engine whereas Fiat did not have one. That difficulty has been solved now that another jointly-owned operation, SOFIM (involving Fiat, Alfa Romeo and Renault) is in production with diesel engines for cars and light commercials.

Differentials

Demand for diesel engines has grown among lighter commercials in the past because of the price differentials between petrol and diesel fuel in many European countries.

Ironically, now that the main bottleneck has been broken and diesel engines for cars and light commercials are more freely available, some Governments have given warning that the trend is getting out of hand. In West Germany and France there have been hints that if sales of diesel-engined vehicles go above a certain percentage of the market, prices of diesel fuel will have to be raised.

The Belgian Government was actually ready to take such a step but had to back away from the problem because there was a public outcry.

However, increased prices for diesel fuel would mainly hit demand for privately-owned diesel cars which cannot be expected to cover as many miles in a year as light commercials—and the higher the diesel fuel price, the more miles you have to travel to break even on the extra cost of the diesel engine and its servicing.

Welcome to the Mercedes-Benz family of transporters. Below is our range of 2½ to 7½-tonners. The 207D and 307D, on the right, offer you a choice of two wheelbase lengths and two roof heights, giving 247-339 cu. ft. of load space. And even the smallest version of them has a payload of a full solid ton.

The bigger model on the left, the L407D/L508D/L608D, comes in three lengths and heights, with a maximum capacity of 565 cu. ft., or an ability to haul nearly four tons with ease.

The engines: the 207D/307D range has virtually the same Mercedes-built 4-cylinder diesel unit as used in our well-known saloon car. (The 207D also has about the same turning circle, by the way, only 36ft.) Bigger versions come with either a 65 or 85 bhp engine with a 4- or 5-gear synchromesh box.

This range of vehicles is also available in chassis-cab versions, with an option of chassis lengths. (In fact, the combinations available from these two models alone come to 57, which is rather a nice number to have in varieties.)

Which brings us to the heaviest of the heavy-duty lightweights, the LP813 (centre). This is a 7½-tonner, one of the biggest you can drive without an HGV licence. It sports a 125 bhp 6-cylinder engine; it has a 5-speed synchromesh box for maximum power and speed with minimum fuel consumption; it's ideal for inter-city jobs as well as local work; and, of course, it's a pedigree Mercedes. For in-town work, or lighter loads, there's the LP809, a 7½-tonner with 85 bhp.

There's an important feature of all these trucks. They all have an important benefit: 'balanced engineering'. We believe every component and

function of a vehicle should perfectly match and balance every other.

So we tend to make more of our own engines and gearboxes—even the steering boxes are made by us. This care in manufacture is reflected in lots more ways as well: compare the load space performance, ease of handling, with others. Think about the price of repairs these days: parts and labour and downtime.

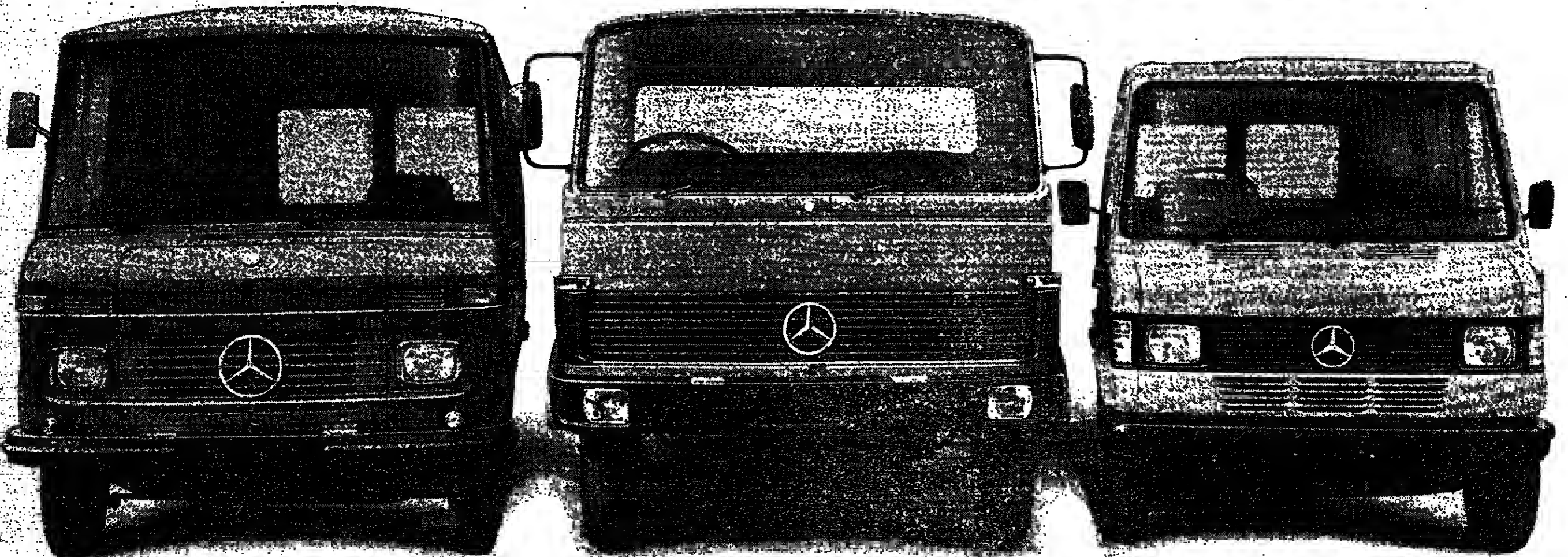
Then think about the Mercedes philosophy. It's very simple. It states that time, trouble and money spent in the making can lead only to time, trouble and money saved in the working.

METICULOUS ENGINEERING DOESN'T COST YOU. IT PAYS YOU.



Mercedes-Benz

THE MERCEDES RANGE OF HEAVY-DUTY LIGHTWEIGHTS.



For list of dealers, please contact regional office at Mercedes-Benz (United Kingdom) Ltd, Great West Road, Brentford, Middx TW9 9AH. Tel: 01-560 2151. Or Four Mile Works, Newmillerdam, Wakefield, Yorks. WF2 6QW. Tel: Wakefield (0924) 254111.

VANS AND LIGHT TRUCKS II

Panel vans market expected to grow

TOMORROW THE 1½ millionth Transit van is expected to roll off the line at Ford's plant on the fringes of Southampton.

Launched in 1965, and substantially revised two years ago, the Transit is claimed to be Europe's best-selling single model and over the years has inspired a wave of imitators. It is also taking Ford closer to toppling Volkswagen from leadership of the European market for specially-designed vans up to about 3½ tons.

The market is a valuable one, forecast this year to total sales of 657,000 vehicles. It is also one of the few motor industry sectors for which some growth is forecast from the 1987 level of 647,000 units.

Between its 1-ton Transporter van, an all-new version of which was launched last year—its Beetle-based predecessor lasted three decades—and its LT series vans, which range from 2.8 to 5.5 tons, VW last year held 18.6 per cent of the European market. Ford was trading on its heels with 17.7 per cent, and PSA Peugeot, now with Dodge under its umbrella as part of the Chrysler takeover, was a more distant third, at 12 per cent.

This year, Ford has edged closer yet, trailing only 1 per cent behind VW's expanded 19.6 per cent share, with Peugeot dropping back slightly.

Competitive

It is a market which in the past two years in particular has become increasingly competitive, with the older-established vans such as the Transit, the UK-produced Dodge Spacevan and BL's Sherpa being joined by, apart from Volkswagen, Renault with its new F range replacement for the Estafette, a variety of Mercedes vans with payloads from 1 to 4 tons and Fiat with its new two-year-old Daily, in the 3-4 tonne range.

The Daily is soon to be joined by the 238, under a joint venture with PSA Peugeot to tackle the Sherpa and smaller Transits head on.

It is also a market apprehensive of the growing presence of the Japanese, particularly at the lighter, 1-ton end of the sector, where vehicles such as the Toyota Hiace are proving difficult to match on price and specification. The latest arrival, Mitsubishi's L200 panel van, went on sale in the UK earlier this month.

Between them, the Japanese have taken a swiftly rising share of European markets.

From 8.8 per cent overall last year they rose to 10.2 per cent in the first four months of 1980. Their UK share is about 9 per cent, but in some smaller markets—notably Portugal and Ireland—it is running at more than 30 per cent.

As with the cars sector, co-operation increasingly is becoming the name of the game in the face of rising costs and the manufacturers' tendency, though it is still often frustrated by differing national needs, to view much of Europe as one market.

Apart from its undertaking with Peugeot, Fiat gets its engines for the Daily through SOFIM, a joint company set up in Italy with Alfa Romeo and Saviem (part of Renault). However, the most wide-ranging co-operation exists between the West German heavy truck maker MAN and VW, in which the UK for nearly a year and a half has been a pioneer market.

Not only have the two companies pooled manufacturing resources to bridge the gap between MAN's 16-ton plus vehicles and VW's LT vans—the result, the 6.9 tonne MT truck range went on sale in the UK two months ago—they have combined their sales and marketing operations in the UK.

It has certainly done VW's van sales no harm: the Transporter and LT so far this year hold much the largest imported share of the UK market, the 6.855 sold in the first half being more than double the figure for the nearest rival (Datsun) and with VW looking for total UK sales this year of about 10,000, about 8 per cent of the market.

Similar operations are being set up in other European countries, and the latest twist is that another joint MAN/VW dealer organisation is to be set up specifically to handle motorised caravans, a small but significant derivative of the panel van sector.

The panel van is a versatile vehicle, its derivatives taking many forms from ambulances to pick-up trucks—up to 3½ tonnes—the cut-off point above which in the UK, and elsewhere in Europe, an operator's licence becomes necessary.

The pick-up area is also one in which the European makers are encountering problems with Japanese products. While at 1 ton or slightly over they do not offer the same capacity as, say, a Transit chassis cab, the fact that, in UK terms, they can be £1,000 or so cheaper, are very well equipped and sufficiently socially acceptable to be used privately, has led to them biting

into sales of vehicles such as the Transit and BL's Sherpa.

Vehicles such as these have helped push up the importers' share of the UK market substantially. Last year, in a market which grew by 19.7 per cent to nearly 117,500 vehicles, imports rose by 34.5 per cent to more than 34,000. The trend has continued this year, though at a rather reduced pace.

Ford, not surprisingly, continues to be the clear market leader, with about 40 per cent. Its first half sales of 25,681, over 4,000 up on last year, reflect its full recovery from 1978's lengthy industrial dispute which at one stage took the company's share down to 14 per cent.

Bedford, mainly with its CF range, remains in second place in the UK, with first-half sales of 8,954, though more than half of its production goes to Euro-

pean markets as part of its role as General Motors' commercial vehicles arm in Europe, helped also by the Portuguese Kit assembly plant. This mainly supplies Italy, and has a capacity of more than 11,000 units a year.

As of last month, Bedford also began plugging its own gap in the lighter sector with an Isuzu pick-up, sales of which are now starting as the Bedford KB125. More than 600 are believed to have been shipped to the UK since April, though there are not yet showing up in registration figures. GM holds a 34.2 per cent stake in the Japanese company.

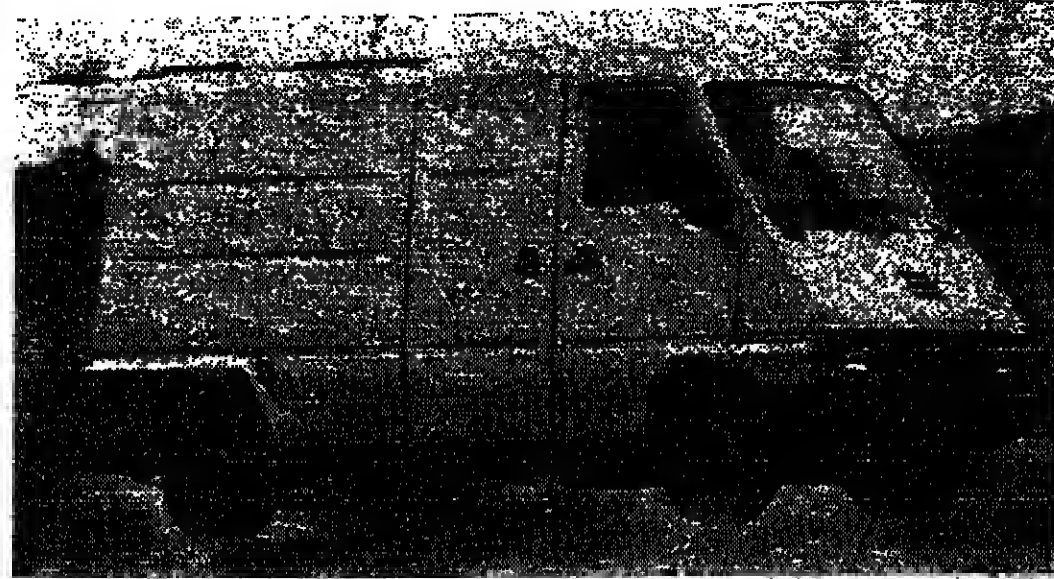
BL is not far behind Bedford, with just under 8,000 sales so far this year—about 12 per cent of the market. The Sherpa is a popular vehicle, but its sales performance suffers from the fact that there

are no versions over 2½ tons, a situation BL would like to remedy quickly, but the company is hampered by the inevitable investment constraints.

It will find the most receptive market so far, France, a somewhat harder nut to crack. Renault is starting to churn out about 5,000 a month of its new F range which runs up to 3½ tonnes and expects to pick up 50 per cent of the French market with it.

But the market on which Ford and other makers have their closest eye is Spain. With annual sales of 43,000 vehicles it is Europe's fifth largest market, yet it is heavily protected, a problem being sorted out slowly with the country's move towards accession to the EEC.

John Griffiths



Renault's new F range panel van, with which the company hopes to win 50 per cent of the French market

Dip in sales of car-derived vehicles

CAR-DERIVED VANS and pick-ups occupy an unusual position in the European motor industry. When it is buoyant and demand for cars is high, they are a nuisance. They take valuable space on car production lines yet provide the manufacturer with considerably less profit per vehicle.

When times are hard, though, as they are now with this year's swift onset of recession, they are a welcome means of maintaining output and profits.

Last year they found a total of 334,000 buyers in 16 European countries. Though not so much of a discretionary purchase as a private car, they also cannot escape the effects of recession. But according to one major European maker, they will not feel it nearly so badly as the car sector. It expects the car-derived market to fall, but not dramatically, to about 328,000 this year.

Next year, as the European industry reaches the bottom of the expected trough before the onset of recovery in 1982, it expects a further fall, but only to about 324,000.

That view, it must be said, is by no means a unanimous one. Economic Models, the forecasting agency, predicts for example that this year there will be a 13 per cent drop to 282,000.

The omens may not be good, but in one respect at least they could be worse. For while the car sector is locked in an increasingly fierce struggle against imports from Japan, the Japanese challenge in the car-derived field has been fading in some important European markets.

That is not to say that this is one area where the Japanese have been defeated; they have simply switched tactics, exporting instead higher value vans and pick-ups, most with a one-ton payload and competing more against the Transit-type panel van than the smaller, car-derived type.

But the effect has been to allow domestic manufacturers to take greater advantage of their respective car-derived markets, particularly now that for the first time in several years their ability to supply exceeds demand.

The UK provides a good illustration. While the market rose by 14 per cent last year to 92,600, imports dropped by 13.7 per cent to 14,924, largely because of the Japanese switch.

This year, the UK market is expected to shrink to about 81,000. In the first half the downturn in imports has been continuing, falling by 0.3 per

cent, to 6,625 out of total sales of 41,669. The fall would probably have been sharper but for problems in production affecting the second- and third-ranked UK makers, BL and Bedford respectively. Only Fiat has made any notable new inroads, its Fiat 127-based Fiorino picking up nearly 600 sales since it arrived last year.

Despite the market shrinkage, registrations of Ford's UK-produced Escort-based vans, the clear market leader, have dropped hardly at all so far this year—by little over 100 on over 15,000 registrations. Its only other contender in the CDV market, its Spanish-produced Fiesta van, has, however, fallen back in line with the declining market of which the Fiesta now holds 3.6 per cent.

Dominance

Nevertheless, given the mighty 30.6 per cent taken by the Escort, Ford in the past 12 months has cemented its dominance of the UK market. Last year it had a total 35.1 per cent, against BL's 31.9 per cent taken by its Marina—and Minl-based vans.

This year's 40.6 per cent compares with 29.4 per cent for BL, a drop which BL explains as due in part to interruptions to

production of its Marina-based van because of changes to the line required to introduce the Morris Ital replacement for the Marina car.

With these completed, BL says that for the first time in some years, it is in a position to go out and aggressively market the Marina-based 440 and 575 vans and pick-ups. They incorporate some of the Ital changes, including its more powerful and economical "A-Plus" 1.3-litre engine. They have held a 20 per cent market share for the past two years "with no marketing support whatsoever," according to BL, which now appears keen to challenge the Escort's position.

At the bottom end of the market, BL's 848 cc and 1-litre Minivans have held up extremely well against the newer competition presented by both the Fiesta and Bedford's Chevanne, based on the Vauxhall Chevette. The Minivans in the first half of this year were outselling the Fiesta by nearly three to one and the Chevanne by more. They account for about 10 per cent of the market. One reason may be that in terms of usable load capacity, the Minivan's box shape is better suited to some carrying

applications than the steeply-raked backs of its hatchback-derived competitors.

Bedford, which apart from the Chevanne has its HA 110 and HA 130 models, based on the first Vauxhall Viva, has lost some ground, its market share dropping to 18.6 per cent so far this year from last year's 21 per cent, although this, too, reflects, isolated supply difficulties—the steel strike at the start of the year caused it particular problems.

Imported

The other member of Britain's "big four," Tabbot, has no domestic manufacture, but so far fended off Ford as the largest importer. Its Dodge 1100 vans and pick-ups, boxy affairs imported from France, where they are known as Simca 1100s, are currently holding about 4 per cent of the market, just ahead of the Fiesta van.

Together the UK-built CDVs now account for about 84 per cent of the market; still not good when compared with the less than 9 per cent imported share of the mid-1970s, but a marked turning down from the more than 20 per cent share held in 1978.

To some extent, the UK illustrates also the greater resistance within the car-derived

sector to being treated as one European market, as has happened with cars. Vans and pick-ups are mainly short-haul vehicles which have grown up meeting the needs of national markets which in many cases still differ considerably. Thus cross-frontier sales remain proportionately low vis-à-vis cars.

France is much the largest single market, at 149,000 units last year, and is totally dominated by domestic makers: Renault with its 4-van, Peugeot with its 304-vans and 604 pick-ups, the small Citroëns, and the Simca 1100.

After the UK, it is followed by Spain (34,000), Italy with about 20,000, Ireland and Denmark, in all of which countries there are significant tax advantages from buying a car-derived commercial rather than the estate cars.

Of one thing, however, Ford and BL are confident: the bigger fleets currently using the Escort-type vans in the UK will mostly go on using them. Even despite rationalisation, BL maintains a national dealer network of 1,700; Ford of 1,300. The inability of the Japanese to match them on national coverage and service support will almost certainly be a decisive factor in retaining their loyalty.

John Griffiths

Lightweights from 3.5 to 7.5 tonnes

IVECO

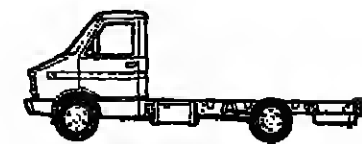
Iveco lightweights. Perfect for today's financial times.

7.5

6.0

3.5

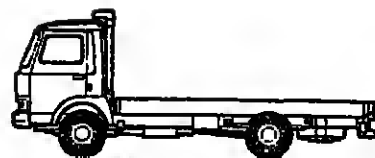
Tonnes



Fiat Daily 35 F8
69 bhp water-cooled 2445cc 4 cyl engine.
1820 kg (4033 lb) body/payload.



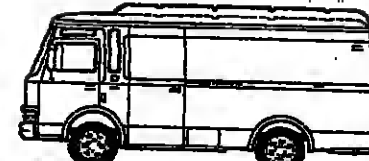
Fiat Daily 35 F8
69 bhp water-cooled 2445cc 4 cyl engine.
9.8 cu metres (346 cu ft) load space, 1640kg (3613 lb) payload.



Magirus 90M 60
83.8 bhp Deutz air-cooled 4086cc 4 cyl engine, 3640-3670 kg (8026-8055 lb) body/payload. Available as integral van.



Fiat 60 F10
94 bhp water-cooled 4570cc 4 cyl engine, 12.4-16.6 cu metres (439-588 cu ft) load space. Available as chassis/cab.



Magirus 90M 79
83.8 bhp Deutz air-cooled 4086cc 4 cyl engine, 15.3-16.6 cu metres (541-588 cu ft) load space. Available as chassis/cab.



Fiat 79 F10
94 bhp water-cooled 4570cc 4 cyl engine, 4700-4870 kg (10363-10738 lb) body/payload. Available as integral van.

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In mixed road test conditions, both the Fiat and Magirus Deutz 7.5 tonnes returned over 18 mpg and under similar circumstances, the 3.5 tonne Daily averages 29 mpg.

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Their air-cooled Magirus counterparts have no radiator or hoses to fail. And they're unparalleled for cold starting.

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*Commercial Motor Road Test, 24.11.79.



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Four-wheel drive still growing

AT A TIME of almost universal gloom in the British motor industry, the four-wheel-drive sector of the market is one of the least depressed, but will certainly not maintain the fast rate of growth achieved over the past couple of years.

Although the exact reasons for the increase in popularity of four-wheel-drive vehicles in Britain remain something of a mystery, in general they are not cheap to run, manufacture at home and abroad have been quick to respond to higher selling prices.

Registrations of these vehicles in Britain in 1979 (with the exception of Range Rovers and the American Cherokee) amounted to 10,856 compared with just over 6,000 in 1978, but this enormous jump will not be repeated this year as sales in the first half have slowed rapidly. The best that most dealers are hoping for is a steady rise of about 10 per cent a year over the next few years.

Land Rover arguably has lost ground in the British market during the past two years, allowing its share to fall somewhat to about 70 per cent recently, but it can also be said that the arrival of new types of vehicle from Japan, the U.S. and elsewhere has contributed very largely to the growth of the market.

Until recently, Land Rover's main problem has been keeping up with demand worldwide, but with the weakening of markets generally delivery dates have shortened. It is also likely that when the UK market picks up again, BL's major investment programme for Land end Range Rovers will ensure adequate supplies.

The company has about £250m earmarked for investments which will double the output of Land and Range Rovers. About £50m has been spent already on improvements such as the new V8 engine line, and the rest will be spent on new engine plant, new assembly lines, and development.

Tempted

The 21 models in the Land Rover stable range in price from about £5,700 to nearly £9,000 for the long wheelbase, 12-seater version. Some dealers believe that the Land Rover's rising price and its comparatively high fuel consumption and running costs have allowed foreign competitors to move in at the cheaper end of the market.

There is no doubt that some farmers, for example, are tempted to go for vehicles such as the four-wheel-drive Subaru, from Japan, which is comparatively new in the UK

market and so far about 1,700 have been sold. On the other hand, at a price of around £4,000 and much lighter in weight and build, it could be regarded as complementary to the Land Rover, which is an all round utility vehicle suitable for dozens of uses.

Although the Subaru has come in for some criticism on the grounds that in rough conditions its useful life is limited, its importers point out that like most vehicles, the type of treatment it gets will determine how long it lasts.

One advantage for Land Rover is that about 60 per cent of its sales worldwide are to government or military organisations, which are often more concerned with performance than fuel consumption. Nevertheless, Land Rover is working hard to improve fuel economy and is expected to reveal some of its achievements soon.

About 3,500 Range Rovers are now being sold in Britain each year, compared with about 12,500 worldwide, and despite its universal popularity, there has been some concern over running costs and BL is looking at the possibility of a diesel-engined version. It has recently introduced a version with air conditioning which sells for about £1,000 above the normal

retail price of a little under £13,000.

The uses of four-wheel drive vehicles in the British market vary so widely that it is difficult to identify anything more than an underlying trend, but there does appear to be increased demand for heavier, rugged vehicles for the construction industry, farming, police, military and other work.

The major contenders for this role, other than Land and Range Rovers, are the Toyota Land Cruiser and vehicles from American Motors, the Jeep group, such as the Cherokee, which is marketed in Britain by TRM Vehicle Services UK.

American Motors is the world's largest four-wheel drive passenger vehicle manufacturer which produces 180,000 Jeeps a year. Although the Cherokee cannot be commended for fuel economy, it is ideal for very rough conditions where its powerful engine can usually be used to get out of trouble.

TRM is also the importer of the successful Daihatsu which was launched in the UK in October, 1977, and since then registrations have risen from 637 in 1978, 1,693 last year and nearly 1,000 in the first six months of this year.

The vehicle retails at £4,645 plus VAT to £6,000 plus VAT, over a range of eight models,

and has become one of Japan's most successful four-wheel-drive exports, along with the Land Cruiser and the Nissan Patrol, which is not sold in Britain.

Response

The U.S. is by far the biggest world market for four-wheel-drive vehicles, accounting for sales of around 1m, but this figure may have fallen recently in response to rising petrol prices, and expansion programmes by American Motors have been curtailed.

Within Europe, a market where four-wheel-drive has become increasingly popular, there have been a number of new entrants in the past few years, but none has managed to dominate it. The Simca-Matra Rancho, though only two-wheel drive, is a competitor and has had success. But things have been more difficult for Eastern European models which have arrived at a time of great competition for a limited market.

Another new contender is Daimler-Benz of West Germany and Steyr-Daimler-Puch of Austria with the major investment in developing the G vehicles for production at Graz in Austria. Output is being built up from an initial 9,000



A Range Rover being tested at BL's new proving ground at Gaydon, Warwickshire

a year to 11,000, but this also is arriving on the market at a difficult time.

Volkswagen-Audi's response to this has been the Litis, a civilian version of a four-wheel-drive vehicle previously supplied in large numbers to the Dutch Army. It is powered by a 1,700 cc version of the Passat petrol engine and is being assembled at the Audi plant at Ingolstadt.

There is little doubt that these vehicles and others more

established in the UK and world markets are faced with a comparatively difficult period ahead, perhaps for as long as two years, but as long as the four-wheel-drive share of the total market holds, the longer-term prospects appear good.

Major markets abroad continue to be the Middle East and North Africa, with increasing sales in countries such as Nigeria and the French-speaking West African countries, where American Motors has an

agreement with Renault for export sales.

The most significant development in this market will be the increase in Land Rover production over the coming few years, since it will determine whether the many newcomers really have established a secure foothold, or whether their customers will prefer to go for Land Rovers if they can buy them readily.

Lorne Barling

Towards the Eurotruck

BRITAIN'S LEGISLATIVE requirements provide a fair illustration of the problems facing manufacturers in developing what might be called a Eurotruck.

A British carrier can run a vehicle without an operator's licence provided he sticks to a weight just below 3½ tonnes. The next threshold is 4½ tonnes above that, he must employ drivers with heavy goods vehicle licences.

Elsewhere in Europe, the two thresholds come together at about 6 tonnes. Also, the needs of operators in the different national markets can vary greatly.

The vast majority of customers for light trucks—the "cut-off" point for which are essentially the 7.5 tonne level in the UK and 9 tonnes elsewhere in Europe—are engaged in stop-start, short-haul work. They rarely cross frontiers, and there are dozens of small market niches which the truck-maker, allied with his specialist body-builders, has customarily filled at a national level. One man's horsebox is another man's tipper.

Thus the volume manufacturer looking to a Eurotruck to meet the needs of everyone in all markets has its work cut out, because all those small niches add up to a substantial volume of annual production.

Yet look to the Eurotruck it must, for two reasons:

First, costs have jumped to the point where only the potential sales provided by a pan-European market are likely to justify it. Investing in a new truck range, if it is to have any hope of gaining an adequate return on that investment.

The pattern has already emerged in the car industry, where manufacturers have gone further and embraced the "world car" under similar cost pressures.

But for the truck makers those pressures are worse. Car makers can build in luxury specifications—and in the process, higher profit margins—for buyers prepared to indulge themselves. There are no such niceties in the truck business.

Margins

The operator is interested only in getting the most truck he can for as few as possible of his pounds, francs or Deutschmarks. In a highly competitive market, margins are thin even when economies are buoyant.

The second reason for the Eurotruck is the EEC safety, emissions and harmonisation legislation slowly emerging from the corridors of Brussels.

In itself, this will tend to restrict the range and types of vehicles on offer, so that in the longer term, as existing vehicles are scrapped, buyers themselves will adjust to what is available. But converting the legislation from paper to finished truck will also be an expensive process, further limiting manufacturers' financial room for manoeuvre and pushing them increasingly into joint production ventures.

So far, because of its sheer diversity, the 3½-tonne to 6-tonne sector has been the most resistant of all to "Europeanisation" of production. The day of the fully-integrated Eurotruck range will come, but it is still only a gradual process.

One of the best examples of where such co-operation is already achieved is provided by MAN, the West German heavy truck maker, and Volkswagen. Two months ago there went on sale in Britain, the MT range, spanning the 6.9 tonnes sector, the big seller of which in Britain will be the 7.38 tonnes model.

The MT is made of components from both companies, bridging the gap between the VW LT range—chassis cab versions of which are VW's competitor in the up to 3½ tonnes category—and MAN's 10 tonnes-plus products.

They are being marketed to Britain through a joint MAN/VW company set up last year, a pattern soon to be followed elsewhere in Europe. Planned annual production is building up to 15,000 units a year, although at the moment there appear to be some bottlenecks.

Wide choice

Some rivals are sceptical of whether the MT really will be able to take the planned 10 per cent share of the European market. The precise size of this is difficult to pinpoint, for it is a field about which there is inadequate and sometimes conflicting data. But it is probably about 150,000 units, and expected to shrink slightly this year.

The latest medium truck, however, is the Bedford TL series, launched at the end of May. Weights are between five and 16 tonnes, with a wide choice of power units. Bedford, the commercial vehicles side of General Motors in Europe, has launched the TL from a position of strength. It is among the European leaders in the medium trucks sector, the earlier TK medium series having built up world-wide sales totalling over 500,000. The TK continues in production—it is still selling 20,000 units a year—but the TL has been specifically designed for Europe.

Dodge, which produces light and medium trucks in Britain for its new French owner Peugeot, brought its own candidates to the market last year in the 30 series, with weights of 3.5, 5.5, 6.6 and 7.5 tonnes, and had a declared target of about 20 per cent of the British market (which totals about 20,000 units) by 1983. It is already just about there. Its share in the sector has gone up from 15.6 per cent in 1978 to 19.2 per cent, but so far it has yet to make any substantial inroads on the Continent. Indeed, not least of Peugeot's problems arising from its acquisition of Chrysler is devising a comprehensive strategy for development of its truck business in Europe.

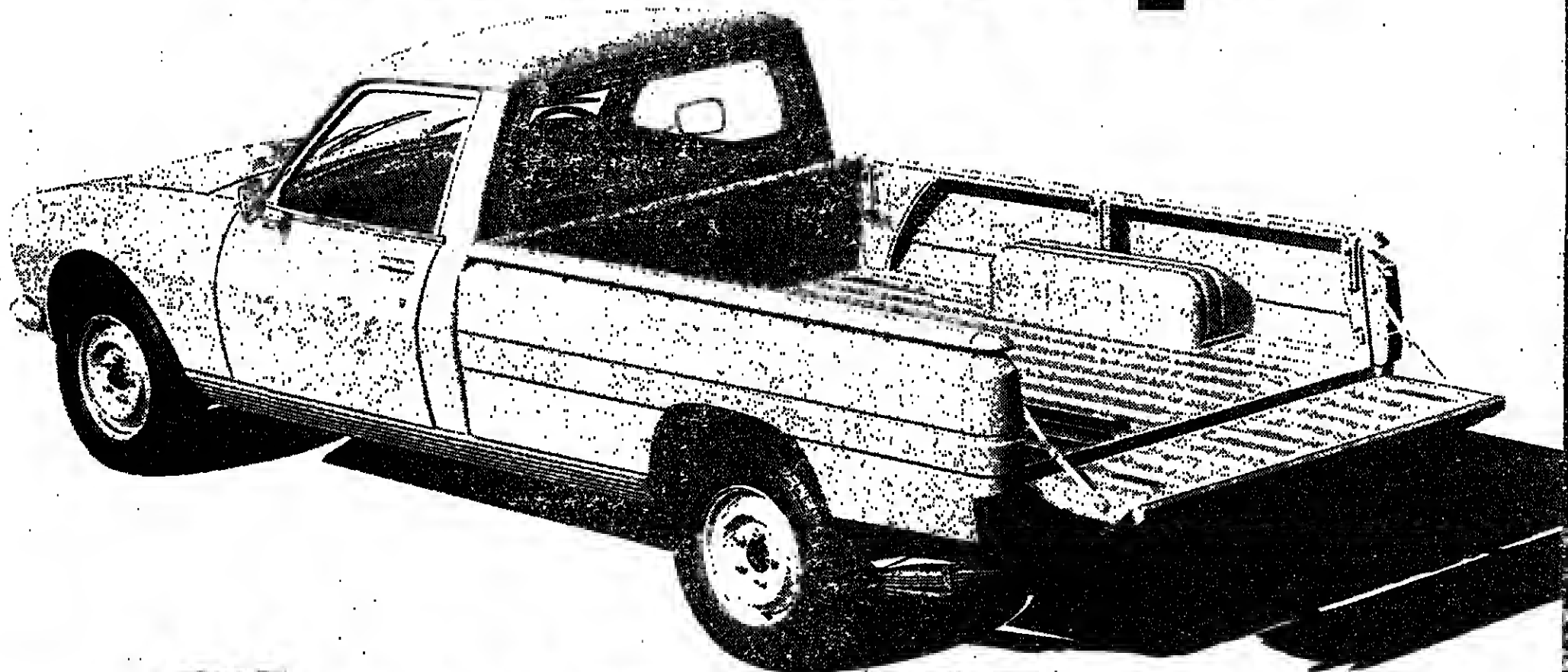
Ford shares with Bedford the leadership of this sector of the British market. But its position illustrates some of the manufacturers' problems in matching models and markets. It brought its "A" series trucks out a few years ago specifically for the 3.5 to 7.5 tonnes sector. But it has not sold particularly well. Instead its larger "D" series trucks, which bottom out at 5.9 tons, have sold best, the 7½ tonne D0710 being one of Europe's best sellers.

The "A" series is likely to disappear, though not before a new-generation "Transit" is brought in. This could be taken up to weight scale to meet the "D" series, or at least its replacement range, the Delta, due next year.

That would be a rational move in line with the overriding need for rationalisation. But the market itself sometimes does not appear to be rational. Manufacturers are still trying to puzzle out, for example, quite why, given all the obvious pressures for the British market to concentrate at the 3.5 and 7.5-tonne levels, there should be a small but none the less noticeable revival of interest in 6-tonne trucks.

John Griffiths

The new Peugeot 504 Pick-up.



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The Peugeot 504 Pick-up—the strong one. Built to take all the hammering of pick-up life—day in, day out.

The load area is long and wide, and offers a maximum payload of over one ton (2425 lbs) and, with the optional canopy in use, a massive 130 cu ft load volume.

Developed from proven designs and tested by years of experience in the rough African terrain, the 504 Pick-up is thoroughly reliable and will ensure miles of trouble free working.

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There's a choice of power. The 1600cc petrol engine runs extremely economically on 2 star fuel and only requires main services every 10,000 miles, so you can be sure that it will work long, hard and reliably.

The 1950cc diesel unit is robust and durable and offers improved economy with added flexibility. Excellent cold starting characteristics and long life components will ensure a really trustworthy workhorse.

Handling & Comfort

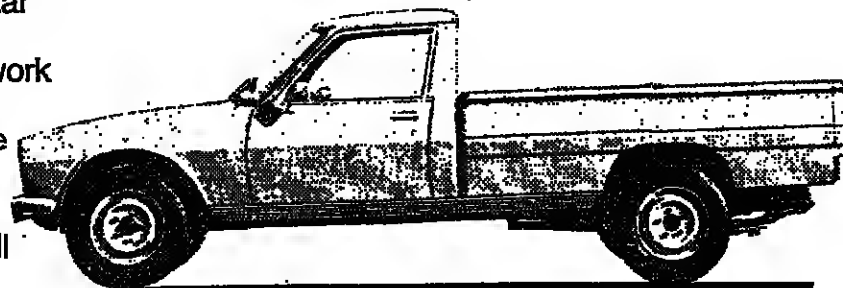
The 504 Pick-up combines the qualities of saloon car comfort and handling with the carrying characteristics of a truck. This comes from the combination of independent front suspension with double acting shock absorbers, rear leaf springs and a massive 9ft 10ins wheelbase—the longest in its class.

The result is not only an excellent ride when empty but also when fully laden. The load can be evenly distributed between the front and rear wheels, avoiding the "tip up" effect that so commonly occurs with pick-ups. And with 11½ins ground clearance even rough cross country driving can be considered.

Value & Style

The 504 Pick-up is styled to give you a thoroughly modern yet totally functional vehicle. Inside, saloon car comfort will be found: modern style dashboard, adjustable seat, inertia reel seat belts, variable speed heater and radio mounting point. And on the outside there's a choice of five paint colours.

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VANS AND LIGHT TRUCKS IV

Joint projects aid research

THE EUROPEAN COMMISSION recently gave the go-ahead for a group of Common Market motor companies to co-operate in a programme of long-term basic research. The companies included BL, Fiat, Peugeot-Citroen, Renault, Volkswagen and Volvo.

They have formed a joint research committee (JRC) to co-ordinate research into various aspects of energy, environment and new materials for motor vehicles.

The work will be carried out within the existing research organisations of the partners as well as by outside bodies such as universities and research institutes.

Areas of joint interest on which the research will be concentrated include such things as combustion technology, corrosion, surface treatment, vehicle batteries, quality control, computerised engineering methods and the properties of new materials.

Harry Sheron, managing director of BL Technology, the BL subsidiary which will organise the British group's contribution to the JRC research, commented at the time: "Long term research is costly and time-consuming and the formation of the JRC will help to reduce both the cost and the time involved. The working groups will be responsible for the allocation of projects and our research laboratories will be capable of carrying out our share of the research."

Trends

The JRC was described soon after its formation as "one of Europe's most powerful lobbying groups." But this is because its role was misinterpreted. Political punch is packed by the CCMC (Committee of Common Market Automobile Constructors), which was set up in the early 1970s to consider

jointly future trends in the motor industry and to "advise the EEC and governments on long-term developments and implications of future legislation and its effects on the motor industry."

The JRC's role will, in crude terms, prevent the modern equivalent of the wheel being invented several times over by different companies.

The argument is that if the European motor industry is to compete adequately with the Japanese it must keep up with its rivals in at least the main areas of technology.

The results stemming from the co-operation within the JRC can be expected to be just as applicable to commercial vehicles as cars. A closer look at the membership of the JRC provides a clearer idea of just how deep motor industry co-operation has already spread.

For example, Renault and Volvo became linked earlier this year—but on the car side. The two companies are to co-operate over future models, while Renault has acquired 10 per cent of Volvo's car business and will go on to build that stake to 20 per cent. Volkswagen is involved in another research and development organisation, Deutsche Automobil Gesellschaft, with Daimler-Benz as its 50-50 partner.

Both Fiat and BL have said they see co-operative ventures as a vitally important part of their future operations. On the commercial vehicle side Leyland Vehicles is to make a 2F gearbox under licence for one of the lighter trucks in the T45 range.

BL's joint car deal with Honda of Japan has been well publicised. Leyland Vehicles has at least one more joint project lined up, rumoured to be with Renault's commercial vehicle side.

Fiat, through the light commercial vehicle division set up

a few years ago to bring together those commercial operations not absorbed by the IVECO subsidiary, has a joint company with Peugeot called SEVEL which will manufacture new vehicles in a £153m factory in the Val di Sangro in the Abruzzi region of Southern Italy. The joint vehicle will compete in the Transit part of the market and fill the gap below the 1978-launched Fiat Daily which covers the 3 to 4 tonnes range.

Fiat also has a joint operation with Peugeot's partner Citroen—and between them they make a vehicle known as the Fiat 242 van or the Citroen C35. Fiat makes the bodies for these vans in Turin and each of the partners incorporates its own petrol engine, but the diesels are supplied by Citroen.

And in another Franco-Italian arrangement, Fiat is co-operating with Renault. The idea was for Fiat to overcome its shortage of diesel engines for bigger cars and lighter commercials. Together with its Italian neighbour, Alfa Romeo, and Renault, Fiat helped set up SOFIM, which makes diesels at a plant in Foggia, southern Italy.

The plant can produce three-cylinder 1.8 litre diesels; 2.4 litre, four-cylinder types; and six-cylinder 3.6 litre engines.

The 2.4 litre SOFIM diesel is being used to power the new IVECO range of vans and light trucks.

Fiat is the prime exponent of the joint venture in the commercial vehicle field. It set up IVECO in 1975 by arranging with Klockner-Humboldt-Deutz (KHD) of West Germany to combine their commercial vehicle production. Fiat already owned Unic in France and GM in Italy. KHD's subsidiary Magirus Deutz was added.

IVECO consequently became the second-largest truck manu-

facturing concern in Europe after Daimler-Benz.

This year KHD tried to exercise its option to sell to Fiat its 20 per cent shareholding in IVECO, but legal arguments are still going on about the terms. KHD would prefer to concentrate on its diesel engine business and if it cut the formal links with IVECO it believes it will have more chance to sell more of its air-cooled engines to other truck makers.

But KHD, under the original severance terms, would still provide IVECO with more than 20,000 engines a year for at least five years.

Fiat would prefer some other group to take over the 20 per cent which KHD hopes to divest. There have been rumours that Peugeot might be interested in adding its Dodge trucks offshoot, acquired along with the rest of Chrysler's European interests, to the IVECO operation.

Involved

But so far talks about linking Dodge with Daf trucks of Holland have not been called off. These talks began last autumn in the hope that Dodge and Daf might share in component and even vehicle development, moved on to become much more involved and then were bogged down when the two-way conversation became three-sided because International Harvester of the United States joined in. IH, owns Seddon Atkinson in Britain and has a one-third stake in Daf. It is considering taking up an option to buy a further 4.5 per cent.

The heavy cost of commercial vehicle development, coupled with the relatively low volumes of output is driving more and more companies into co-operation and joint ventures.

Perhaps the major example of collaboration in the light

truck sector is the one forged by two West German groups, Volkswagen and MAN, initially for eight years.

VW is determined to "diversify" into the truck business because it is still the only major car producer without a reasonably large truck operation. It has made some progress in Latin America through the acquisition of former Chrysler companies in Argentina and Brazil, which will be used for commercial vehicle manufacturing.

In Europe VW's commercial range ends at around the six tonnes level. (In much of Europe drivers can use a car licence up to six tonnes but thereafter must bet a special heavy-vehicle type.)

Another partnership which is highly visible in that it involves complete vehicles rather than components is that between Daimler-Benz and Steyr-Daimler-Puch of Austria. Between them they have spent the equivalent of £27m on developing what many see as the Range Rover's major rival and to build a plant at Graz, Austria, to make this four-wheel-drive field car.

Called the "G" (for Geländewagen) range, most of the cars will be sold bearing a Mercedes badge. But in Austria, Switzerland, Yugoslavia and the Comman countries they will be sold as "Puch" vehicles.

This is by no means a comprehensive list of the co-operative and joint ventures in the European motor industry. In the next year or so new ones will be announced thick and fast. The details of such ventures are usually extremely difficult for the companies to work out. But the current recession will certainly concentrate the minds of all involved.

Kenneth Gooding



One of MAN and VW's new jointly-produced range of MT light trucks in breakdown vehicle form. MTs went on sale in the UK two months ago

Japanese makers look to Europe

JAPANESE TRUCKS went on sale in the UK last month bearing the badge of one of Britain's oldest commercial vehicle groups, Bedford.

Bedford is a General Motors subsidiary and GM maintains that the trucks are of a type which are in relatively limited demand and so it is not really worth developing its own version for the UK or European markets.

However, other manufacturers would suggest that the trucks, honneted vehicles with a 1.2 tonne payload capacity, are "mainstream" commercials, not the kind which are made to fill a small gap in the market.

An important part of the decision to bring the trucks into Britain must have been the change in the relationship between GM and the truck manufacturer in Japan, Isuzu, third-largest of the Japanese commercial vehicle producers.

Since 1971 GM has had a 34.2 per cent shareholding in Isuzu and the two companies have had a technical assistance agreement (mainly involving GM providing help with environmental and safety technology) as well as a distribution deal. GM allows Isuzu to use its worldwide sales network. As a result the Japanese group's exports have increased markedly.

But some of this increase was due to GM taking the 1-tonne pick-up, now to be sold in the UK, for sale in the U.S. where it was endearingly called the "Luv".

However, this year GM is ending the arrangement and is introducing its own 1-tonne pick-up. At the same time Isuzu is in the process of setting up its own distribution network in the U.S. but this will take some time.

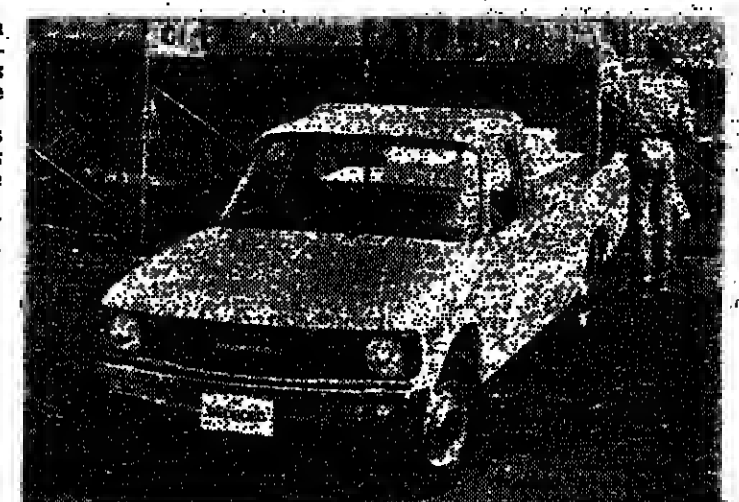
The arrangement to sell the trucks in Britain seems to be GM's way of softening the blow to Isuzu. It also seems likely that GM will distribute and sell the pick-ups through the Vauxhall outlets (Vauxhall being Bedford's parent company) in Finland and Denmark.

In the U.S., GM is not alone in using its Japanese associate to supply some of its commercial vehicle needs. Ford sells a pick-up called the Courier which is made by its 25 per cent-owned associate, Toyo Kogyo and Chrysler has been putting a Dodge truck badge on a Mitsubishi 1-tonne pick-up called the Forte. Chrysler owns 15 per cent of Mitsubishi.

These relationships are somewhat historic. The Japanese these days do not need help to sell their commercial vehicles outside Japan. And it is widely believed that, following their success in world car markets, the Japanese are gearing up for an attack on the principal commercial vehicle markets.

Unsuitable

Much remains to be done though, as the Economist Intelligence Unit mentioned in its recent report on the Japanese commercial vehicle industry. The Japanese road system is undeveloped when compared with, say, Western Europe, and lower average distances are covered, with the result that small- and medium-sized trucks



The Bedford KB 25 pick-up truck, which is made in Japan by Isuzu

are favoured — rather than the larger rigid and articulated units which are common in North America and Western Europe.

"This means that Japanese products traditionally have been unsuitable in the mainstream trucking markets of the West, but few observers doubt the inherent capability and inventiveness of the manufacturers there to pursue that line of product development," says the EIU.

"Moreover, the Japanese manufacturers have made tremendous headway in the higher weight commercial vehicle categories, thereby amply demonstrating their ability to take on the established producers in their own markets."

The EIU export forecast for the Japanese commercial vehicle industry does not suggest any really dramatic developments. It suggests exports of light vans (width below 1.4 metres, height below 2 metres, length below 3.2 metres and engine below 500cc) will move up from 70,000 this year to 80,000 next.

Exports of small trucks (width between 1.4 and 1.7 metres, height below 2 metres, length between 3.2 and 4.7 metres and engine between 550cc and 2,000cc, other than diesel-powered units) could go up from 1.2m to 1.4m.

And exports of ordinary trucks (all measurements above the top level for the small trucks) are forecast to rise from 400,000 to 440,000.

Assistance

As might be expected, because of the assistance given by domestic manufacturers in North America, the U.S. has been the Japanese commercial vehicle industry's best market, taking 484,000 units in 1978, followed by Saudi Arabia (138,400), Indonesia (100,500), and Australia (72,000).

The question is: As the U.S. market becomes more difficult for the Japanese (the tariff was recently raised on the light trucks imported in semi-knocked-down form) will they spend more time, tackling Europe?

The Japanese are not doing too badly already. In the part of the commercial vehicle market

that they have attacked most strongly so far—vehicles up to 3.5 tonnes gross weight but excluding car-derived vans—they captured 8.8 per cent of total unit sales in Europe last year and 10.2 per cent in the first five months of 1980.

Japanese products are on sale in 15 European markets and in nine of them have a really significant share. Again, in the volume end of the business—up to 3.5 tonnes—they took 17 per cent of the UK market in 1979, 20.6 per cent in Belgium, 22.3 per cent in Denmark, 32.4 per cent in Finland, 37.9 per cent in Ireland, 19.8 per cent in Portugal, 21.3 per cent in Norway, 16.4 per cent in Sweden and 18.8 per cent in Switzerland.

Testing

At the heavy end of the market Hino has been testing the European waters, via assembly operations in Ireland (which it does not own) and Portugal. As a result the Japanese share of the above-3.5 tonnes market last year reached 21.6 per cent in Ireland and 41.5 per cent in Portugal.

Hino has now started assembling in Belgium, another "neutral" country as far as the motor industry is concerned in that it has no major manufacturer of its own.

If—or should it be when—Toyota decides to move assembly of light commercials to Europe it will probably locate its base in Spain.

Its major rival Nissan (the Datsun group) has signalled its intention to use a Spanish base with the agreement to buy a 37 per cent shareholding in Motor Iberica—in volume terms Spain's largest producer of commercials—from the Massey Ferguson group. If all goes according to plan, there is little doubt that Nissan will end with control of Iberica.

The Japanese impact in Europe's commercial vehicle markets—particularly at the lighter end—could grow significantly. But, as with the car markets, in the end the political problems involved will be the main constraint on the Japanese attack.

Kenneth Gooding



FT Circulation 1976/71 (ABC March 1980)



LT Range 318-5 tonnes GVW



MT Range 6.5-9 tonnes GVW

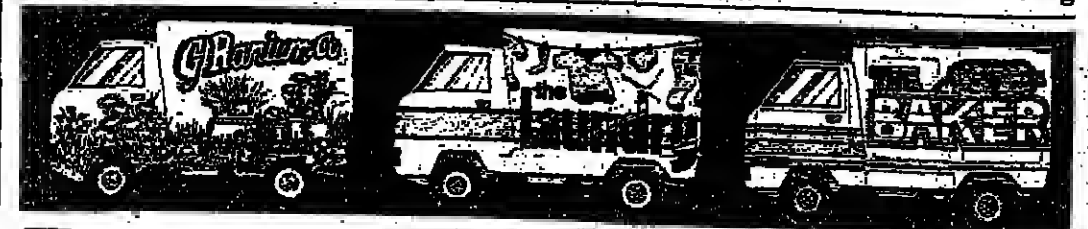


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VANS AND TRUCKS

VANS AND LIGHT TRUCKS V

Temporary fall in diesel share

FOR THE first time since the oil crisis of 1973-74 the diesel engine's share of production in commercial vehicles below four-ton gross vehicle weight (gvw) in the principal European producing countries fell back last year. The only country to buck the trend, and so help to cushion the drop, was West Germany.

In the UK, France and Italy the diesel engine lost ground. In the four markets as a whole, the diesel percentage declined from 25.6 to 23.6 per cent, even though Germany pushed its diesel share up from 25.3 to 32 per cent, the first time since the oil crisis that the main European producers together have failed to increase the diesel's share of the overall market for the below 4-ton gvw vehicles.

The otherwise steady expansion in diesel-powered vehicles has been marked by a more than doubling of penetration since 1973. Then it was 13.7 per cent and there has since been an improvement by 2 or 3 per cent a year, with 1975 showing a near 4 per cent increase over the previous year.

This includes some setbacks in individual countries, quickly recovered until last year. Thus in France a big 5 per cent gain in 1975 was followed by a dip the next year and a strong recovery over the following two years to a new high of 21.5 per cent in 1978.

A somewhat similar pattern has occurred in Italy, where a 3 per cent fall to under 25 per cent in 1976 was more than wiped out in 1977, with a massive 9 per cent gain going on to a further near 7 per cent gain to push the figure to almost 41 per cent in 1978.

Progress

Germany is the only one of the four countries to have made consistent progress: its 22.1 per cent diesel share rises, though unevenly, to last year's 32 per cent.

In the UK, after the initial boost supplied by the oil crisis, which took a 1973 figure of 13.7 per cent to within a whisker of 21 per cent in 1975, and on to nearly 26 per cent in the next year, some kind of plateau seems to have been reached with the percentage fluctuating around 25 per cent until 1978 when, in common with France and Italy, there was a fall back. For the UK it was 3 per cent.

It is impossible to say at this stage whether the 1978 break-

in-market penetration presages a longer decline. The whole of the world motor industry is in the grip of recession with various sectors behaving extremely erratically. But when it is possible to take a retrospective look at this period it almost certainly will be found to be only a temporary damper on the continuing success of the diesel engine in winning sales from the petrol engine in the under 4-ton gvw sector.

A good deal will depend on the price relationship between petrol and diesel. It may be significant that there has been price equality in Germany for many years and therefore it has been possible for potential customers to be confident that the benefits of going diesel will in fact accrue.

In France diesel fuel was FFr 6 (62p) a litre less than petrol in 1974. By 1979 the gap had widened to FFr 8. In the UK the relative price of diesel has fluctuated wildly. In 1975 it was cheaper by 8p a gallon but by 1978 it was 8p dearer than petrol. Currently it is again about the same.

Such movements in price can materially affect the market, and nowhere is this better shown than in Italy. It also shows the impact political decisions can have on the market. The price of diesel in Italy has consistently been well below that of petrol—only half the cost in the early 1970s, under half the cost by 1975 and down to one-third by 1977.

A 15 increase in the price of diesel in 1973 to L80 while the price of petrol stayed at L152, apparently persuaded vehicle makers to drop diesel output by 6 per cent to 18.4 per cent. But when, next year petrol moved to L247 and diesel to only L153, diesel production shot ahead by 10 per cent to nearly 29 per cent, and in 1978 to nearly 41 per cent, before reacting the following year to 37.6 per cent after diesel had increased by L31 a litre while petrol went up only by L5.

While movements like these help to identify the reasons for changes in the market, there are several other factors that determine whether a petrol or diesel-engined vehicle is the better buy. The one most usually quoted is mileage. If, for example, vehicle mileage is pushing towards 30,000 annually it may well be that the extra cost of around £500 for a diesel engine will be more than paid for, and that even if diesel costs a little more than

petrol the extra efficiency and fuel economy of the diesel engine will likewise make it worth while running.

Whether the choice is petrol or diesel will often depend on the duties the vehicle must perform, round-town delivery or long-distance motorway work, for example. It is also likely to depend on the type of vehicle. A diesel engine begins to pay its way early on if the frontal area of the vehicle is large, as on a box van, for example.

With garage costs still going up, the lower maintenance requirements of a diesel could help to sway decision. So also could the avoidance of the much stricter regulations relating to the storage of petrol by operating an all-diesel fleet.

These are some of the more marginal considerations in the petrol/diesel argument that are helping or hindering the spread of diesels in a volume sector of the market that so far has remained largely loyal to the petrol engine. This is the van-derived end of the car industry, or panel van market, where diesel engines are offered only as an option.

This is a big and growing slice of the overall market. After sliding downhill in the wake of the oil crisis, there has been a steady improvement in UK production, which last year reached a new peak of 117,500. Generally speaking less than a handful of percentage points covers the diesel content. Ford, which makes the highest proportion of diesels has seen its

percentage halved from 12 per cent in 1975 to just under 6 per cent in 1979. Two to 3 per cent is more usual. On the Continent figures are smaller, with Peugeot registering 0.14 in 1979, Volkswagen 0.33 and Mercedes 2.3. This compares with 3.3 per cent for BL's Sherpa, 1.2 per cent for Dodge, and 2.7 per cent for the Bedford CF.

Breakthrough

The panel van sector of the market looks ripe for exploitation by diesels given that they have been so successfully "cleaned up" and quietened. At least one vehicle producer is planning to introduce "off the line" diesel versions instead of optional post-assembly

facilities, and once the breakthrough has been made others will inevitably follow.

At first sight it looks a great prospect for diesel engine builders such as Perkins Engines. But most are likely to view it with mixed feelings. The lower down the load-carrying range one gets the higher goes the vehicle volume. Initially a motor manufacturer may call to an independent engine maker to get the project off the ground, but once sales have steadied above breakeven point the motor manufacturer is likely to make the diesel in-house.

Thus Perkins used to supply Ford Transits with 15,000 engines a year until Ford made its own.

Peter Cartwright

COMPARISON OF FUEL PRICES: COMMERCIAL VEHICLES BELOW 4 TON GVW

	1975	1976	1977	1978	1979
FRANCE (Francs per litre)					
Price—petrol	1.7	1.8	2.1	2.5	2.7
Price—diesel	1.1	1.3	1.4	1.6	1.9
Diesel share (%)	19.3	17.8	18.5	21.5	15.4
ITALY (Lire per litre)					
Price—petrol	287	385	480	480	485
Price—diesel	141	163	150	155	186
Diesel share (%)	30.0	24.7	33.9	40.7	37.6
WEST GERMANY (DM per litre)					
Price—petrol	0.8	0.9	0.9	0.9	0.9
Price—diesel	0.9	0.9	0.9	0.9	0.9
Diesel share (%)	13.0	20.0	21.1	25.8	32.0
UK (Pence per gallon)					
Price—petrol	52	71	83	76	120
Price—diesel	44	69	86	84	120
Diesel share (%)	20.9	25.9	25.5	25.1	22.1
DIESEL SHARE (%)	19.2	20.4	23.6	25.6	23.6

Prices given for mid-year.

Source: Lucas CAV.

Fuel economy heads list of savings

THE EFFORT which van and truck manufacturers are putting into improving the fuel economy of their vehicles is only part of a more general attempt to reduce running costs by a number of different methods.

At the lighter end of the van range, much of the improved economy achieved in the past two years has been the result of spin-off from the development of fuel-efficient cars. It is also the area in which some of the biggest savings can be made, since weight reductions are vital to significant fuel savings.

The small van market has for many years been dominated by the BL Minivan in terms of economy, which will be kept in production despite the imminent arrival of the Metro, and will also undergo changes soon to improve its specification.

In a similar category is the Ford Fiesta van which has a payload of 350kg and comes in two engine sizes, the 957 cc or the 1117 cc, and the former has the added advantage of using two-star petrol. Performance in towns or cities is normally about 40 miles to the gallon on routine deliveries while in rural areas, say on a plumber's rounds, 45 to 50 mpg can be achieved.

Ford has been at the forefront of the move towards fuel economy and other measures to reduce running costs, but the company points out that while many big fleet operators used to buy the vehicles on fuel con-

sumption alone, they are now looking at the problem more broadly.

It is taking into account factors such as secondhand values, the cost of servicing and replacement of tyres and parts, and the overall cost of ownership. Generally speaking less than a handful of percentage points covers the diesel content. Ford, which makes the highest proportion of diesels has seen its

percentage halved from 12 per cent in 1975 to just under 6 per cent in 1979. Two to 3 per cent is more usual. On the Continent figures are smaller, with Peugeot registering 0.14 in 1979, Volkswagen 0.33 and Mercedes 2.3. This compares with 3.3 per cent for BL's Sherpa, 1.2 per cent for Dodge, and 2.7 per cent for the Bedford CF.

Customers must be prepared to provide detailed information to Ford on the operation of their vehicles, and for a nominal charge this is processed through a computer, providing a wide range of relevant information such as operating costs per mile and so on. With fuel normally accounting for between one-fifth and a quarter of operating costs, other economy measures are certainly as important.

Ford believes that such detailed information, in the hands of a company executive responsible for transport, puts him in a strong position when having to argue the case for replacement of vehicles or any new measures regarding their operation.

From the manufacturers' point of view it is generally cheaper and easier to go for running cost improvements, rather than expensive new engine design, but Ford and other companies nevertheless have been actively working on

engines to improve performance.

On the Transit range, the economies of diesel engines and overdrive have proved an advantage, but the company appears to be relying largely on improved aerodynamics on its replacement Escort van which is due out later this year after the car version is launched in October. Its D Series six-tonne truck is also due for replacement early next year, with a strong emphasis on lower running costs.

Wind spoiler

On the preseat version of this vehicle Ford offers an optional wind spoiler, which it believes will become standard on many vehicles before too long, since in certain weight ranges there is no doubt at all that fuel savings are significant. It is pointed out that if a company is spending £5,000 a year on fuel it is shortsighted not to spend perhaps £250 on a spoiler which will pay for itself very quickly.

However, much of Ford's effort in this direction will be concentrated in future on reducing forms of drag such as wind, tyres on the road surface, and overall mechanical resistance.

BL has been making similar attempts recently, with the introduction of overdrive to the Sherpa van which also benefited from the use of the relatively light O Series engine making it one of the most economical

vehicles of its type in the UK. Although no tests have been carried out, the diesel-engined version is claimed to be well ahead in fuel economy compared with its competitors.

BL is also due to launch van versions of the restyled Marina, the Ital, under the names Morris 440 and Morris 575, which will have economy developments on the 1300 cc engine. The Post Office, a major customer of BL for light vans, will be one of the first organisations to take delivery of these new versions.

A considerable amount of BL's research on fuel saving is in the direction of higher-compression engines, but this may present problems for the car-derived van versions since many operators still insist on being able to use two-star petrol which they buy in bulk.

BL and others believe that while the price differential between the two grades remains so small, it is more cost-effective in terms of power derived to use four star, and the motor industry is increasingly keen to see an oil industry policy decision on this before too long.

It is also argued that certain importers of vehicles which use two-star are making a virtue out of a necessity, and that buyers seldom think through the economics of claims made in relation to the use of lower grade fuels.

Vauxhall has been offering a

derated 1256 cc engine on its HA van which it is claimed reduces fuel consumption by up to 30 per cent but with consequent loss of power, while on the Chevanne various design changes to the engine have led to a 4 per cent fuel saving.

On the range of Bedford CF medium vans, which are either petrol or diesel powered, an economy programme is planned to achieve significant improvements.

Like BL, Lucas is carrying out research work on constantly-variable transmission systems, which by allowing engines to run at virtually constant speeds will produce far better economy. And, in conjunction with Warwick University, the two companies are jointly examining cylinder displacement. This involves the running of a six-cylinder engine or four cylinders when peak power is not necessary.

Lucas CAV is also carrying out work on advanced electrical controls for diesel engines, but its most important development in this area is power systems for electrically-operated vehicles. Altogether Lucas has 70 such vehicles on trial with fleet operators throughout the country and believes it is only a matter of time before they become commercially viable.

Primary trials have been carried out with Bedford vans, and other manufacturers are now showing interest. Pre-

liminary figures show that these vehicles are achieving real costs of 5p a mile on typical urban journeys, compared with 9p a mile for conventionally-fuelled vehicles on the same routes.

Tests have been carried out mainly by electricity boards or users who have regular journeys covering around 50 miles, which is within the capacity of the vehicles. Lucas, like the Americans, also has been working on a power plant for a hybrid internal combustion/battery-powered vehicle, although this is a long-range project.

The most promising area for further fuel economy on internal combustion engines, Lucas believes, is the more efficient use of diesel fuel, which provides 25 per cent more energy value for volume than petrol.

Overall, van and truck operators are likely to have a number of options to choose from in the not too distant future if they wish to conserve fuel and, more important, keep down overall operating costs.

These options will depend to a large extent on the specific use of vehicles, since there will be penalties which accompany lower costs, such as reduced speed, power or—in the case of electric vehicles—range.

Lorne Barling

The new Dodge 50 Series high capacity van reaches new heights in comfort and load carrying.

Purpose designed for stop/start deliveries, the 50 series van has a high roof. So the driver can stand in the cab and walk into the load compartment.

Large, wide doors provide safe,

easy exit. You don't have to climb out; just step down.

The load compartment can be either 9.4 or 12.8m³ (335 or 450 cubic feet).

You can also choose your weight: five GVWs from 3.5 to 7.5 tonnes.

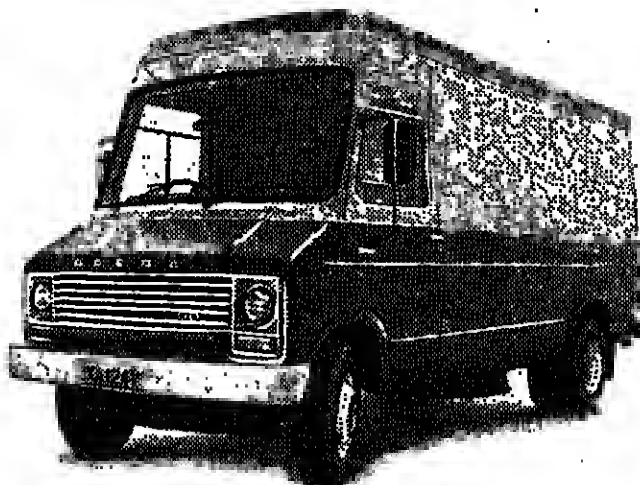
And choose your engine: four

or six cylinder diesel. Most models also offer petrol engines.

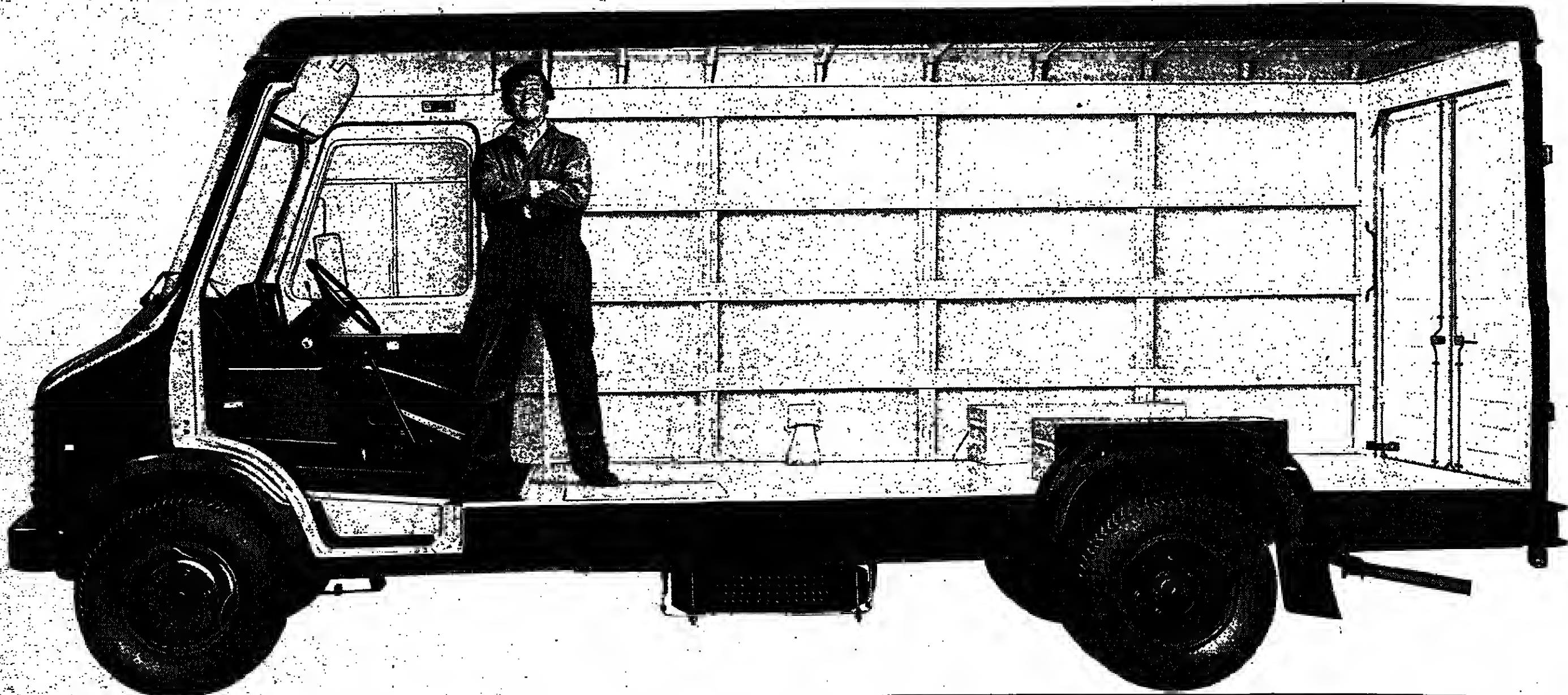
See your Dodge dealer. Ask about competitive prices, and the 12 months' unlimited-mileage warranty.

He'll tell you how far ahead the new Dodge van is.

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Public interest in broadcasting

BY IAN DAVIDSON

FOR YEARS Britain has been famous for three things: our monarch, our penguins, and our strikes. The Queen Mother's 80th birthday celebrations showed that the ceremonial can still knock spots off the crowd scene in Aida. The troubles at the Observer show that the unions can live up to a grand old tradition when they put their minds to it. But when the BBC starts to think that the right way to put its finances in order is to scrap a few of its orchestras, or dear, what a falling off it is there from the lofty principles that put the B into Broadcasting. (The cuts at the overseas service of the BBC are an equal cause for dismay, but there the fault lies with insular politicians who don't know that Bush House is the finest advertisement for Britain, and who couldn't care less.)

Vulgarisation

Following on the bastardisation of the Third Programme into Radio Three the decision to axe the orchestras seems to indicate such a degree of vulgarisation of the Corporation's priorities that some kind of structural reform is required before decadence becomes barbarism. Naturally, I am aware that the only structural reforms we are famous for throughout the world, are those which make matters worse by a heroic margin, but here goes anyway.

Some people think that the troubles of the BBC arise from the fact that it tries to do too wide a variety of things for any one corporation to manage, from the Open University down (down?) to local radio, and that it should therefore be broken up into smaller component parts. Others think the problems stem from the BBC's obsessive concern with maximum audience size, in competition with ITV and local radio, which is bound to shift the balance of priorities in favour of the vulgarisers.

There may be something to be said for one or both of these perceptions. But if so, there is little or no chance of a reform from within, since the BBC is the only operative judge of its own priorities.

If the balance of those

priorities is to be changed somebody else must change them. In a typically British place of muddled thinking, the BBC governors have two internally contradictory functions: they represent the interests and standards of the broadcasters, but they are also meant to represent—or at least they used to be meant to represent—a rather impartial and detached view of the activities of the broadcasters, as it were something like the "public interest." Perhaps this dual role worked all right in the early days when the corporation was smaller and less oriented to the masses, but I wonder whether a man can really serve two masters.

The solution to the problem may be to take this second function, the representation of the public interest, and allocate it elsewhere, and I do not mean give it to the Home Office. That would be a catastrophe. No, it would be a disaster. Why not give it to the Independent Broadcasting Authority (renamed the Broadcasting Authority), which already carries out an independent monitoring function for the rest of our domestic broadcasting. The IBA doesn't do very much now, and it doesn't have to; just by being there it has a steady effect on the margin on some of the stuff that goes out on the airwaves. Perhaps the IBA should be more active in weeding out some of the worst programmes, but it cannot legitimately be more interventionist so long as the BBC is a law unto itself.

One merit of such a scheme, which should commend it to the BBC pantheons, is that the politicians would then have more difficulty in treating the corporation like a political football in and out of office. If they almost never complain about the BBC, it is not because the companies are simply wonderful, but because the IBA is there as a buffer.

But the clincher is that a Broadcasting Authority straddling both the corporation and the companies would offer a chance, at last, of a rational approach to the BBC's income, taking account of government revenue from the companies. And we could have an impartial public interest approach to the BBC's expenditure.

AN IMPORTANT cultural change has been taking place since World War II, but one so esoteric and evolutionary that it has passed almost unnoticed. Films have now become available in such a variety and richness of subject matter that they are beginning to compete seriously with books as a source of extensive and specialised knowledge.

Statistics alone may fail to convey the importance of this development. Nevertheless, the most recent annual volume of the British National Film Catalogue (1978) lists over 350 UK film libraries, over 2,400 non-fiction titles released in the previous year, and over 300 production companies responsible for the films. All of this material is available "non-theatrically"—that is, for private and small group screenings—and only a small if increasing proportion was originated for broadcast television.

Anyone with access to a 16 mm projector may borrow these films, with certain qualifications (such as restricted loans for some medical films). Many are available free of charge, but in keeping with financial realities, more titles these days carry some kind of rental fee. A minority, particularly on educational and training subjects, are also available for outright purchase.

Possession of a 16 mm projector is, however, unusual. There are probably not many

more than 100,000 in the UK, although they can be hired from some large photographic retailers. Local schools and colleges usually have one and at a pinch the local film society (over 700 in Britain) might help. (The British Federation of Film Societies can provide addresses of these societies.)

The situation is changing more significantly with the widespread availability of videocassette machines—over 300,000 in the UK alone and increasing rapidly in number. Suddenly, in the past year to 18 months, most of the major 16 mm film libraries have started to offer their material on videocassette as well as sprocketed film, opening up new possibilities of access and convenience for anyone with a filmic rather than literate thirst for knowledge.

One big problem still remains, however, finding the material which does indeed exist in abundance, albeit scattered between at least 350 film libraries. This is a filmmaker's nightmare. The British National Film Catalogue helps a great deal, being the only publication of its kind in the world—listing all known titles that have become available in the past year. Published by the British Film Institute, it is a researcher's dream, with a number of indexes guiding the inquirer to subjects, titles, distributors, cameramen and producers.

But the BNFC is an annual compilation, not retrospective.

The training manager looking for a film or videocassette on shoplifting or the biologist seeking one on cloning will be disappointed if nothing has been released on their subject in the previous year. The search is then transferred to a vast array of specialised catalogues, usually

areas embraced by sponsored films (mostly available on free loan), and these range from domestic science to civil engineering and architecture. In the latter I found a description of one film which notes that "John Chittcock, the director, has written a Betjemanesque

Concern (England). An Urban and Environmental Studies Film Guide (published by University of Manchester), Health and Safety Film Catalogue (listing 485 films and available from the Health and Safety Executive), and the Transport and Road Research Laboratory Film List.

A recent hardback book published by the Imperial War Museum covers, in scholarly fashion, war films—more specifically, as in the title of the book, British Official Films in the Second World War. This will be a timeless publication that fortunately cannot get out of date, unlike earlier hardbacks such as the British Institute of Management's Films for Managers.

Some libraries now put information on Prestel, the Post Office television data service. Video Arts also notifies details on Prestel of their regional film previews (call up frame 4480100) through which tickets and reservations can be ordered directly.

It is a pity that so many of the distribution catalogues are editorially topped and tailed. Many fail to make it quite clear when films are also available on videocassettes and if so on which formats and at what price (some libraries charge the same as for films, but others recognise the economies of video by applying about 20 per cent reduction).

There are some pleasant surprises tucked away in a few catalogues, such as the training directory from Rank. Aids which lists among the films available *Kama Sutra*, *Rides Again*, *Training*. It is no misprint, and, yes, it is about sex; it is, indeed, Bob Godfrey's delightfully funny cartoon romp—available with a few others listed under Entertainment. Its inclusion shows an understanding that every training course should offer a stimulus to keep awake.

With the spread of videocassette recorders, entertainment catalogues are now becoming a significant addition to the literature of the UK distributor. Found over 38 UK distributors inclusive to the videocassette business; that is, nearly all of them serving the consumer market. Adult movies and poorly made sex-films dominate the lists, but some of the material being offered does cover the arts, hobbies and better known feature films. The 20th Century-Fox subsidiary, Magnetic Video, is the biggest of these distributors and today is due to announce a realising programme for the Philips videocassette.

With films and video material now becoming as accessible as books, it is a pity that the already battered publishing industry—except for these few who have diversified into video, such as IPC in the UK and McGraw-Hill in the US.

FILM AND VIDEO

BY JOHN CHITCOCK

(but not invariably) peculiar to specific libraries.

Thus Europe's largest 16 mm distributor, Guild Sound and Vision, publishes no fewer than 25 separate catalogues of the bigger subject areas for films and videocassettes, with consequential problems for the besotted training manager trying to find a particular title. Apart from Guild Sound and Vision, there are a number of other libraries specialising in training, each with their own extensive catalogues. These include Training Films International, Rank Aids, Video Arts, Central Film Library, Millbank Films and Viscom.

Other specialist catalogues are also published independently of the film libraries, thus attempting to concentrate everything on one subject into one volume—regardless of the distributors. Some recent examples include films about the aged (published by Age

commentary in verse, spoken by Hugh Burden). Fame lurks in every corner.

Commercial and industrial training has become one of the bigger subject areas for films and videocassettes, with consequential problems for the besotted training manager trying to find a particular title. Apart from Guild Sound and Vision, there are a number of other libraries specialising in training, each with their own extensive catalogues. These include Training Films International, Rank Aids, Video Arts, Central Film Library, Millbank Films and Viscom.

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Vienna Miss may surprise

THE SCOTTISH circuit continues today with another interesting programme at Ayr where the most valuable event on the card, the £6,000 Strathclyde Stakes, is, surprisingly, the second event of the afternoon.

Here Harry Thompson Jones

RACING

BY DOMINIC WIGAN

sets punters a poser by saddling both Arden and Vienna Miss. Although stable jockey Paul Cook has opted for the ultra-consistent Arden, who was winning for the third time last year, it is following highly creditable performance at Pontefract where he hustled up Spindrift and Borisov, I intend taking a

chance with the filly. Vienna Miss showed as much speed as any in the hands of Lester Pigott when disputing the lead for a long way in Royal Ascot's Queen Mary Stakes. In that event, too, Cook preferred another stablemate who, incidentally, finished further back.

James Bethell, whose in-form Whitworth stable, could with a little luck better its total of 25 winners achieved three seasons ago, looks to have found the right opportunity for Dragonist, Bethell, formerly assistant trainer to Arthur Budgett, saddles this consistent juvenile for the four-runner Alloway Stakes. I hope to see Dragonist get back on the winning trail following a somewhat disappointing fourth place effort at Salisbury.

Two other likely looking prospects on an afternoon which sees only 35 runners competing

for the six events on Scotland's premier track are Hardinvest, among the runners for the Souter Johnnie Handicap, and Lenygion, who can defy to weight in the Kirkcaldy Stakes. Lenygion, a stablemate to Vienna Miss, won his last two races and may have still further improvement in him.

ATR

2.30—Dragonist**
3.00—Vienna Miss*
3.30—Hardinvest
4.00—Big Bertie
4.30—Eliza de Rich
5.00—Lenygion

FOLKESTONE

1.45—Sixer
2.45—My Gem
3.15—Queen's Royale
3.45—Raden*

SCOTTISH

10.00 am And God Created Whales.
10.25 The Last Island, 10.30 Cooking With Tony, 10.35 Youngs Rams.
11.00 The Scottish News and High Summer Extra.
11.05 News, Scottish News Headlines.
11.30 Late Coll, 11.35 Rainy Millie.

SOUTHERN

10.00 am Battle Beneath the Earth, 10.25 Southerners, 10.30 Sea Leader, 10.35 Who Cares?, 10.40 Aspinall's Wind, 10.45 Southern News, 2.00 Newsnight, 2.25 The Clive Master, 2.30 The Clive Master, 2.35 The Clive Master, 2.40 The Clive Master, 2.45 The Clive Master, 2.50 The Clive Master, 2.55 The Clive Master, 3.00 The Clive Master, 3.05 The Clive Master, 3.10 The Clive Master, 3.15 The Clive Master, 3.20 The Clive Master, 3.25 The Clive Master, 3.30 The Clive Master, 3.35 The Clive Master, 3.40 The Clive Master, 3.45 The Clive Master, 3.50 The Clive Master, 3.55 The Clive Master, 4.00 The Clive Master, 4.05 The Clive Master, 4.10 The Clive Master, 4.15 The Clive Master, 4.20 The Clive Master, 4.25 The Clive Master, 4.30 The Clive Master, 4.35 The Clive Master, 4.40 The Clive Master, 4.45 The Clive Master, 4.50 The Clive Master, 4.55 The Clive Master, 5.00 The Clive Master, 5.05 The Clive Master, 5.10 The Clive Master, 5.15 The Clive Master, 5.20 The Clive Master, 5.25 The Clive Master, 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THE ARTS

Hayward Gallery

Pictures from a Collection by WILLIAM PACKER

The Arts Council of Great Britain is clearly, perhaps not for the first time, the single most important patron of the living arts in the country; but what is not quite such general knowledge is the form its practical support often takes in the case of the visual arts. It is true that the awards, grants and bursaries it allows, many of them to sustain fringe and hitherto experimental activities, and given without conditions, attract attention with some regularity. And even questions in the Commons, and nothing would seem to excite the indignation, which is to say interest, of tabloid and early-evening television so much as the difficult, unusual, scandalously modern exhibition.

But though these more noticeable manifestations of public engagement and support have indeed made up, quite rightly, a large portion of the Council's active patronage (and long may that go on), the substance of it, not necessarily in terms of money, but rather of lasting importance, is achieved more quietly, continuously and directly.

For the best, the most effective patronage that any artist can enjoy is that his work should be bought: which is exactly what the Council has been doing these 35 years past. It has bought widely, which is admirable, and above all it has bought early, taking many chances with public money; no doubt, but not irresponsibly, and the rewards prove to be disproportionately high.

On the one hand the encouragement thus given to a young artist might well be worth more to him than the

subvention itself; on the other, as particular artists mature, so their careers may be followed in the body of the collection, major works acquired when first available.

The Council owns works by David Hockney, for example, which would be enormously expensive today, and the great Francis Bacon painting from his Van Gogh series of 1957, and picked up immediately, is one of the prizes of the entire collection.

But the collection as such, the most important agglomeration of post-war British Art outside the Tate, has no home, and therefore in a curious way has no entity. It is brought together only to be dispersed, individual items despatched on long loan to public buildings across the country, or rearranged in smaller temporary units for special exhibitions and even smaller tours.

If it exists at all, other than in the mind, it is in its catalogue that it does so: which invaluable document has only lately been published (£10) and is already indispensable.

The exhibition that now fills the Hayward Gallery, British Art, 1940-80 (until August 10), is therefore of real significance, the first major, coherent exposition and celebration of the collection itself, and the policies of four decades, which it thoroughly vindicates.

As a survey, however, it can only claim to cover the painting of its period, adequately, augmenting it with a certain amount of graphic work, and even here less work is shown than was possible. If I have a criticism, it is that the niceties of the hang and the show is hung beautifully!

triumphed over the real opportunity to get the work onto the wall. Good works, after all, may well shine out in circumstances that are far from ideal.

But what is shown is well chosen, making the tour of the galleries a refreshing and intriguing progress. The collection was devoted from the start to British Art, somewhat idiosyncratically defined, such being the prerogatives of the Scotch and the Welsh Councils, as for the most part work done in England by British artists, or the odd resident foreigner.

In particular it looked to current activity, but this was relaxed later to take in the whole of the 20th Century, which policy continues in rather desultory fashion, but not at the expense of contemporary responsibilities. Good things were picked up, however, before they grew too expensive, and the exhibition begins with a strong group that includes Gwen John, Sickert's fine Belgian Coccotte, a splendid Gilman nude, and from right on the cusp as it were, a surprisingly strong portrait by Bernard Meninsky of 1942, the year when the Council for the Encouragement of Music and the Arts first received funds for acquisitions.

For the rest, pleasure and interest fall according to taste and inclination. It is good to see again a few of the kitchen-sink pictures of the 1950s, Jack Snibb's table and grey interior, for example, and Edward Middleditch's baby. There is a good run of figure paintings and still-lives by Euan Uglow, Anthony Fry and others; elsewhere are a particularly strong Kossoff building-site, some characteristic Auerbachs, and two beautiful abstracted references to industrial landscapes by Prunella Clough, side by side but a decade apart; and showing just how the collections points the individual reputation afresh, whether established or comparatively obscure.

The excellent paintings by Michael Andrews, three of them together and the four spanning some 13 years, make the same point. Having happened to pick out mostly figurative works, I would emphasise that the non-figurative are collectively quite as impressive.

A sprinkling of sculpture whets the appetite, but present limitations of space deny us the bulk, or even a representative slice of it. In the same way, the photographic collection, instituted comparatively recently, and the space-consuming installations and conceptual works, are given only token representation: but then there is no reason why further exhibitions of this kind should not follow at intervals to shift the emphasis.



Nancy Henninger

Spoleto Festival

Lady Macbeth of Mzensk

by WILLIAM WEAVER

The Festival of Two Worlds, when it is at its best, produces a special kind of excitement, a compound of the pleasures derived from the always-lovely Umbrian town, from the effervescent presence of dozens of young artists, from the satisfaction of seeing and hearing works done with alert care and fresh approach. When it is below par, Spoleto, like any other festival, can produce routine performances and un-rewarding evenings; but the red-letter events are memorable, and any Spoleto regular can give you a long list of them, stretching back to the inaugural Visconti-Schippers Macbeth of 23 years ago.

To this list the latest addition is the presentation of Shostakovich's *Lady Macbeth of the district of Mzensk* which opened the current festival. It is close to flawless, every element—visual and aural—contributing to the thrilling success. The set, to begin with, a large, but agile wooden construction, basically in two sections. One section comprises Katerina's bedroom, with an attic over it; the other is a broad barn. When one section is visible to the audience, the other can be discreetly transformed (thus the bedroom is turned into a police-station), everything is constructed of raw wood providing a simple, natural frame for the drama.

The designer, Liviu Ciulei, is also the producer. After an enviable career in the spoken theatre, Ciulei is making his opera debut; but happily the occasion has not impeded him—as it sometimes does film-directors or other "prose" producers—to show off, to humiliate the music in the interest of self-aggrandisement.

On the contrary, Ciulei puts the music first. The impassioned

story and each singer has received individual attention. The principals move naturally, credibly; the numerous small roles are sharply defined; and the chorus—the versatile, supremely musical Westminster Choir—provides, in turn, a horde of raucous peasants, sober wedding-guests, and oppressed Siberian prisoners.

One group, in the bitterly comic police-station scene, gives a hilarious imitation of the Keystone Kops. The costumes, by Miruna and Radu Boruzescu, are equally laudable: they really look like clothes, and the singers wear them as if these garments were a familiar part of their daily life.

As Katerina Ismailova, the Lady Macbeth of the title, Nancy Henninger makes a profound impression. Her big, generous voice proves admirably supple, expressive. If the volume is perhaps excessive at times, the very loudness seems in character. And for that matter, the whole performance is, so to speak, louder than life.

Christian Badea, the conductor, drives his artists and his orchestra hard, but his vision of the work is convincing. It is, indeed, an unrelentless piece; and Badea's urgency certainly inspires the growing characterisations of Karl Marmeladov, the domineering father-in-law, and of Jacques Trussel as the victim-husband.

The Spoleto Festival Orchestra, an ad hoc group made up largely of American students, plays with style and fire, both as ensemble and, when required, as individuals (the winds deserve special praise). Badea uses the original 1984 version of the opera, arguably superior to the somewhat tamed revision of 1958.

The Shostakovich opera is being given in the Teatro Nuovo. In the much smaller

Teatro Cain Melissn the festival presents its other opera production: Cavalli's *L'Erismena*, staged by Filippo Sanjust (who also designed the costumes) and conducted by Alan Curtis. Last year the same Sanjust-Curtis team was responsible for a triumphant *L'incoronazione di Poppea*.

For some Italian critics, this year's *L'Erismena* was not on the same high level; but in general their objection was not to the producer and conductor but to Cavalli's work itself. Comparing Cavalli unfavourably to Monteverdi is surely beside the point, and by the second performance it was clear that—heedless of the tepid reviews—the audience was, rightly, having a very good time.

And why not? Curtis's Complesso barocco plays with grace, style, and wit; and the select group of singers is of the highest quality. The cast is headed by the pretty and lithe Mary Burgess, a warrior-princess of confident mien and secure musically. Daniela Mazzeuatu, as Aldimira, is an affecting slave-girl, sensual and volatile. Among the men, the counter-tenors Jeffrey Gall and Henri Ledroit, love-slaves themselves, offer an elegant vocal contrast with the heavier voices of the adroit baritone Ben Holl and the comic bass Mario Chiappi.

Occasionally Sanjust's staging allows—or encourages—excessive mugging (Chiappi is the most exaggerated), all wrong for the sly, gentle humour of the libretto. But, for the most part, this *L'Erismena* is as admirable as it is enjoyable, and it should prove a positive step forward in the Cavalli revival, in which Italy is lagging behind other countries.

Spoleto, of course, is not only opera. A second report will deal with some non-operative events.

Joan Collins for West End

The Last of Mrs. Cheyne, part of this year's Chichester Festival, is transferring to the Cambridge Theatre in October 23, with Joan Collins retaining the role of Mrs. Cheyne and making her West End debut. Also appearing are Simon Williams, Elspeth March, Maira Fraser and James Villiers.

At Chichester this Frederick Lonsdale comedy broke all box-office records.

Town Hall, Manchester

Alexander's Feast

by ARTHUR JACOBS

Neither opera nor oratorio, *Alexander's Feast* is shorter and more tautly constructed than Handel's works in either of those genres. It is a ceremonial ode to honour St. Cecilia, composed on a famous text by Dryden (the original source of the proverb, "None but the brave deserve the fair"), to which the poet gave the sub-title "The Power of Music."

Handel's setting for soloists, chorus and orchestra was one of his most successful works in the eyes of his, and the following generation, and today's new interest in the baroque should ensure a welcome for it.

But not in Manchester. And as if to fulfill the dark rumours that no musical promotions can expect success there except those of the Hallé Orchestra, Sunday's performance received such poor advanced bookings that it had to be transferred from the Free Trade Hall to the much smaller auditorium in the Town Hall. Lacking refreshment facilities, this is a cheerless place for music, and is also over-resonant.

The Manchester International Festival, which must be looking in alarm to the state of its finances, made matters considerably worse by failing to provide the audience with a printed text. Handel's audiences would have expected such a minimal service, but of course they would not have got pages of photographs and advertisements in the programme instead.

Geraint Jones, director of the Festival, had the Manchester-based BBC Northern Singers and the Newcastle-based Northern Symphonia Orchestra

at his disposal, and provided a fresh-sounding performance in which both a chamber-organ and a barpsichord were properly used.

As conductor, he favoured brisk speeds and a tight rein which left little chance for the solo singers to display skill in ornamenting or expanding their melodies. Some emphatic flourishes at the cadences at least, would have been welcome.

Two splendid young singers were heard undertaking the soprano and tenor parts for the first time. Only one year after leaving the Royal Academy of Music, Lesley Garrett is already

emerged on what seems a most promising career. A full tone and agility throughout the range are radiantly projected, with a highly pleasing and communicative manner on the platform.

Some ends of phrases were untidy and Mr. Jones should have imposed on her—and indeed on the vocal and instrumental performance throughout—a firmer instruction on the use of the baroque spoke and the appoggiatura. Adrian Thompson likewise impressed with a flowing, forthright way of tackling his arias, and his narrative passages, too.

Arts news in brief

National Theatre productions of Lillian Hellman's play *Watch on the Rhine*, and a newly-extended version of *The Possession*, are both to join the repertoire in September after visiting the Edinburgh Festival.

Watch on the Rhine, directed by Mike Ockrent, opens on September 16 in the Lyttelton Theatre. Peggy Ashcroft heads the cast.

Part One, the new addition to Bill Bryden's promenade production of *The Passion*, is to open in the Cottesloe Theatre on September 23; and Part Two on September 24. The two parts will then be given in repertoire.

Under the Arts Council's scheme for subsidising recordings of works by living British composers five new works have been taped for release in 1980 and 1981. The total subsidy for these projects amounted to

approximately £50,000. They are Harrison Birtwistle's opera *Punch and Judy*, on the Decca label, two works by David Blake to be issued by Argo, John Buller's setting of mediaeval Provencal poetry, *Proenco*, for Unicorn, and Edmund Rubbra's sixth symphony, recorded by Lyrita.

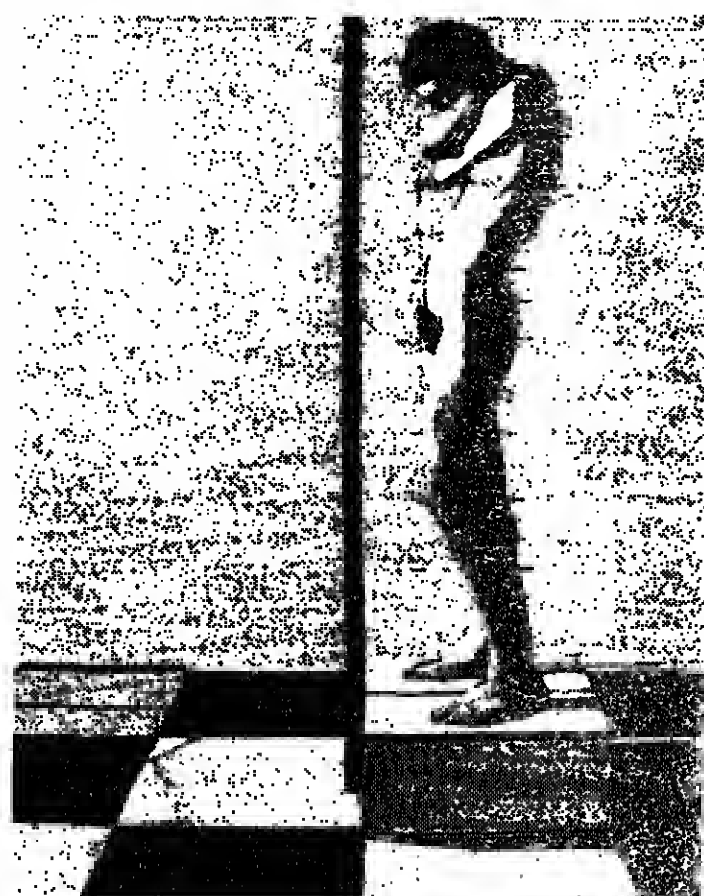
Kent Opera have announced that their forthcoming production of Verdi's *Falstaff*, directed by Jonathan Miller, is to be sponsored by Sainsbury's, in association with the Sainsbury Family Trusts.

This will be the first Kent Opera production to receive major sponsorship and the first opera production to be sponsored by Sainsbury's. *Falstaff* will be Jonathan Miller's sixth production for Kent Opera and opens the company's autumn season on

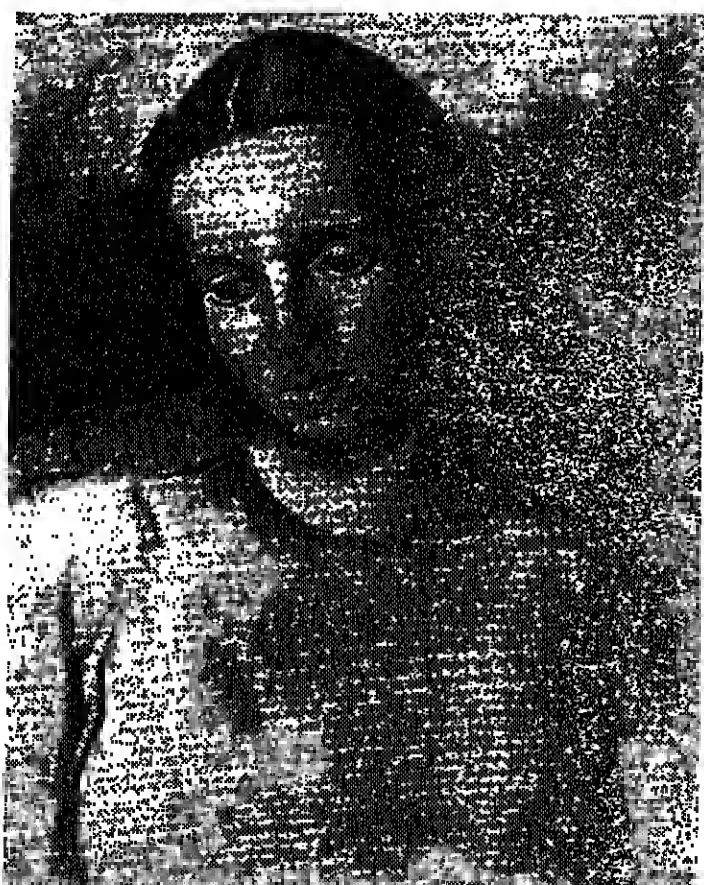
October 29 at Tunbridge Wells. After Tunbridge Wells the production will tour in repertoire with the Baroque double bill (Monteverdi's *Il Bello delle Ingrate* and Blow's *Venus and Adonis*), and *The Mogue Plague*, to Eastbourne, Bath, Southsea, Poole and Canterbury.

After four years' closure and a £250,000 restoration, the New Victoria theatre in Wilton Road, next to Victoria Station, has been renamed the Apollo Victoria and is to become London's newest concert venue with a seating capacity of 2,600.

Shirley Bassey will appear in concert from September 15 for seven nights to be followed by Cliff Richard (from September 27). His three week season is already sold out.



Snake, by Euan Uglow, 1976



Portrait of a Girl, by Bernard Meninsky, 1942

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Tuesday July 22 1980

Buzby to face competitors

THERE WILL BE a hearty welcome from Britain's service industries for the Government's decision to inject competition into the telecommunications market, which is at present monopolised by the Post Office. The enthusiasm may be tempered only by regret that the changes will be introduced gradually over what looks like being a fairly long transition period, of at least three years.

However, the Government is right to proceed fairly slowly, for while business telephone subscribers will certainly benefit from competition, their gains may come, to some extent, at the cost of British manufacturers and perhaps domestic telephone users. The Government's cautious approach should help to mitigate the possible damage.

The Government's general approach to industrial problems is governed by the principle that industries exist to serve the interests of consumers, rather than producers, and that competition is the best way to ensure that this theory is realised in practice. The many commercial telephone users who have been waiting months and sometimes years for the installation of exchanges, and the even greater number of potential users of sophisticated telecommunications services such as data retrieval and word transmission, who have been frustrated by the long delays, equipment shortages, and limitations of choice created by the Post Office monopoly may soon enjoy better, faster and possibly cheaper services.

Availability

It will never be possible to determine whether the "cream-off" of some of the Post Office's most profitable present and potential activities increases costs for the private domestic consumers, whose low utilisation of telephone lines is unlikely to produce an adequate return on capital. However, even for domestic consumers, the increased availability of new types of telephones and of consumer electronics products based on the telephone system, should more than make up for the loss of part of the cross-subsidy which certain business uses now provide.

But great opportunities will be created for producers as well as consumers. While the experience of recent years sug-

gests that suppliers of services to telephone users should thrive on the challenges which the competitive market creates, the prospects for British equipment manufacturers may be less inspiring.

The manufacturers' nervousness about facing a fully competitive market largely accounts for the phasing-in period of "about three years" and the continuing programme of strict licensing of all equipment. While popular and Government attention has naturally focused on the deficiencies of the Post Office's services under the monopoly, the apocryphal effects of a non-competitive market have also been felt by the British equipment suppliers. While there may be objectionable elements of protectionism in the Government's transition proposals, it is surely right to give the British manufacturers some time to give themselves up for the new opportunities.

Dilemma

Even during and after the transition period, however, it seems quite probable that British manufacturers may be unable to compete in many of the markets which have now theoretically been opened. The domestic telephone of the future, for example, is likely to have much in common with other types of cheap consumer electronics products which, on the whole, British companies have failed to manufacture profitably.

Still more serious issues are likely to arise over the licensing of more sophisticated and expensive equipment, which British manufacturers can produce, but which, so far they have not been successful in marketing successfully in competition with other major multinational suppliers. Of the major manufacturing companies, only the U.S. has anything approaching an open telecommunications market. The British Government has taken heart from moves in Germany and the Netherlands to introduce more competition. But, for the foreseeable future, it seems unlikely that British companies will be serious contenders for European telephone orders. In trying to set a good example, especially to other EEC countries, the Government may find itself confronted with a difficult dilemma over trade policy.

Poland on the tightrope...

BY ANTHONY ROBINSON

THE Polish Politburo's statement over the weekend that strikes in Lublin "could awaken concern among Poland's friends" must go down as one of the more notable understatements of recent times. The very last thing that the Soviet leadership wants during the Olympic Games is serious unrest in Eastern Europe and especially in Poland which at least three times since the war has lit the spark of revolt elsewhere in the bloc.

Poland with over 35m inhabitants, plus a further 10m emigrants with political clout in the U.S. and other countries, is the largest of the Soviet Union's East European partners. It is the Soviet buffer zone par excellence and provides the essential communication with East Germany, the Soviet Union's "front line" with NATO. Lublin itself has a deep historic importance. It was Stalin's decision to form a pro-Soviet, Communist-led provisional Government in Lublin during the Red Army's victorious drive westward in 1944 which sowed the first seeds of allied mistrust of Soviet intentions which later crystallised into the Cold War.

Lublin itself is less than 40 miles from the Soviet frontier and the decision of striking railwaymen last week to block one of the principal railroads leading into the Soviet Union must have set alarm bells ringing furiously inside the Kremlin as well as the ugly, monolithic central committee building in Warsaw.

In view of the Polish Government's unhappy experiences with attempts to raise meat prices in the past it would be surprising if the Soviet leadership has not already demanded an urgent explanation from the Polish leadership why it chose July 1, a mere three weeks before the opening of the Olympic Games, to introduce yet one more attempt to impose higher meat prices on an already grumbling Polish population.

But whatever the internal communications between the Soviet and Polish leaderships, the conclusion of both has clearly been the same; the situation must be defused. Unlike 1976, when the Government rescinded the price increases within 24 hours after strikes

and demonstrations, the Government has decided to keep the meat increases in force.

However, to get striking workers in over 50 plants and factories throughout the country back to work it has been forced to make two significant concessions. The first was to increase pay by up to 15 per cent. The second, and in the long run the more significant, has been the promise not to victimise strike leaders and to recognise the right to strike. To effect this means recognition of the beginnings of a free trade union movement outside the officially recognised, party-controlled channels.

The long-term economic and political consequences of these concessions are of great potential significance. In economic terms they signify once again that the Polish Government is being forced further along the path of mortgaging the future to ensure a short-term breathing space. The wage increases so far granted to strikes will add a further 40m zloties (\$20m) to the wage bill over the rest of this year in addition to the unplanned 100m zloty increase in bonus and overtime payments already paid out. This will increase the inflationary pressures within the economy and thus the pressure on domestic resources at a time when Government economic strategy consisted of squeezing the domestic market to increase exports.

Higher exports, coupled with a squeeze on imports, are seen as the only way to restore equilibrium to the balance of payments by 1981 and then create the surplus which will be required to start paying back over \$19bn of foreign debt. Poland also needs to keep the confidence of foreign bankers on whom it is relying for further funds to bolster its sagging economy.

Last year Poland registered its worst economic performance since the war with a 2.8 per cent drop in national income. This year economic growth and exports have recovered from the low point, but a repeat of last year's heavy flooding and a cold summer have again cast a pall over harvest prospects and will necessitate further large imports of grain and other food.

In economic terms the Government's determination to press

on with its plans for higher meat prices and a more rational price structure generally make sound sense. Meat subsidies alone cost the State budget over \$2.5bn last year and uneconomic prices for food, rents, public transport and other services have both distorted the economy and diverted funds for much-needed investments in the energy, transport and industrial infrastructure.

But the roots of the current labour unrest go far beyond the price of meat. The strikes are symbolic of a much deeper malaise. What is really at issue is the credibility of the party and its ability to solve Poland's problems without fundamental reforms which broaden its base and democratise its structure.

Ten years ago the now party secretary, Mr. Edward Giersek, was waiting in the wings to take over from Mr. Wladyslaw Gomulka who had lost the confidence of both Poland and the Soviet Union and who had failed to deliver the higher living standards, higher prices and general tight-lippedness for the foreseeable future. But—as the refusal to accept higher meat prices demonstrates—Poles feel bitter about what they see as broken promises of a better life and they seem unwilling to accept sacrifices for the party and government which led them into this situation.

It is at this point that the wider implications of the current conciliatory policy appear. The de facto acceptance of non-party controlled negotiating bodies created by the workers themselves add a new dimension to Poland's already pluralistic society.

Poland became a Communist country in the wake of the Red Army advance. Stalin's contemptuous dismissal of the war-torn emigre government in London and the virtual destruction of the Warsaw uprising when Soviet troops remained on the other side of the Vistula as the Nazis crushed the revolt. But culturally, socially and, above all, in religious terms, Poland has always been essentially a Western-oriented country. It has Western values and social political ideas. Ironically, one of the most lasting achievements of the Communist regime — by abolishing the large estates and turning land over

to the peasants—was to create the nearest thing to a medieval peasant strip-farming system in the heart of 20th century Europe. The fact that 75 per cent of the land is farmed by small peasant farmers not only left post-war Poland with an archaic agriculture but it also consolidated the power and influence of the church.

These factors have ensured that Poland has remained largely immune to the Soviet style totalitarian system in the country. Poland was and remains a pluralistic society with economic, social and cultural forces whose interests any government, Communist or otherwise, has to take into account.

The Communist Party hoped that development of industry and slattery of the industrial working class as the Leninist avant garde would erode these forces and lead to the establishment of a Communist society. In fact the opposite has happened and it is the working class which is now organising itself outside the party channels. In doing so it is being helped by the most broadly based and effective "dissident" movement in Eastern Europe.

The most important group is the Workers' Self-defence League (KOR) set up after the 1976 food riots to defend workers' rights and harassed by the regime. Many of its leaders, like Jacek Kuron, are of Marxist conviction, but its believers in workers' democracy are opposed to what they see as the bureaucratic-police state structure of the present regime. Slowly but surely, all these independent forces have been growing in strength and influence in Poland. They have



found articulate expression in Poland's intellectuals. What runs through all these movements like a common thread is the demand for Poland and its leaders to be honest about the past and about the future prospects of Poland. If Poland were a free agent there is little doubt that Polish society would grow increasingly further from the Soviet pattern which sits so uneasily on Polish soil. Throughout their history Poles have oscillated between periods of romantic idealism and enforced realism. They have paid a terrible price for their romanticism in the past, and are deeply aware of it.

For over 35 years they have realistically accepted the constraints implicit in their proximity to the Soviet Union in a proximity which has been made more tangible in recent years through growing economic links and dependence on Soviet oil, raw materials and, on occasions, financial support. The Soviet Union remains the main conditioning factor in Poland's life, even though Poland is now largely reconciled with West Germany, has close economic and financial ties with the West and backs in the reflected splendour of a Polish Pope in Rome. In these circumstances the problems facing the Polish regime and the Polish people is far more than the price of meat. What Poland is facing is the need to create the kind of society which suits it without at the same time setting off shock waves through Eastern Europe and the Soviet Union itself which would provoke the Soviet Union into the sort of direct intervention in Polish affairs from which it has carefully refrained for 35 years.

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The last thing Russia wants during the Olympics is trouble in East Europe

West Germany and the general policy of détente to embark upon a rapid industrialisation and modernisation policy based largely on heavy foreign borrowing and the import of Western plant and technology. Economic growth rose rapidly and living standards even more sharply for five years until the effect of the world-wide energy price rise and the growing burden of debt started clouding the picture. Since then growing evidence of bad planning, administrative bungling and other shortcomings have emerged.

Long delays developed in commissioning expensive foreign funded investment projects and these problems were exacerbated by growing bottlenecks in key areas like transport, energy and skilled labour. A succession of bad

to normal." But down at party headquarters, a featureless square building set in a small park, they were taking no notice. The party banned all parking in the area and kept traffic moving.

The strike committee set up its headquarters in a railway carriage parked in the Lublin marshalling yards and debated amongst themselves whether or not to talk to the foreign Press. Many of them are party members. Finally a tough-looking railwayman, about 45 years old, emerged and told waiting

journalists: "Our demands have gone to the management and local authorities, and that's enough."

With plain clothes security men lingering amongst the crowd of complaining passengers boarding buses at the line the word had gone out not to talk to strangers. The men at the railway yard gate even refused to admit a strike was taking place. "It's only a meeting," they said with a grin.

By Saturday evening the "meeting" had produced a wage

settlement which, although only half the original demand, was considered successful enough to pave the way for increases elsewhere. By the weekend the local Lublin papers were describing how workers were determined to make up the production losses. Another item in the local paper confirmed that at the Agronet plant, production was being held up not by strikes but by delays in deliveries of components and raw materials.

Iran's shaky revolution

THE CONTINUING turmoil in Iran has badly shaken the clerical leadership, for all its bravado, but has not come as a great surprise. The armed forces have never truly reconciled themselves to the change of regime. According to President Bani-Sadr, there have now been seven coup attempts in the past four months, and there is no end in sight to purges and executions.

This time a plot long in preparation was scotched at the last moment, apparently by luck. On the basis of the few details to have emerged so far, the plotters stood a fair, though not a good, chance of succeeding in their goal of eliminating Ayatollah Khomeini and calling back the one man who could possibly weld a divided country together again. Dr. Shahpour Bakhtiari, the exiled former Prime Minister.

Calculations

A crucial element in the plotters' calculations, it seems, was their reliance on civilian support in Tehran: both active help from a small number of pro-Bakhtiari men and the anticipated refusal of the populace as a whole to oppose a surprise move against Khomeini. Public discontent has been growing steadily in recent months, in direct response to the worsening economic conditions and the fanaticism with which the Khomeini visionaries are imposing their style of life on Iran.

At the end of this year the condition of Iran may make Ayatollah Khomeini's hold on the country more tenuous. By then the economic squeeze now hitting Iran as a result of its own mismanagement and the refusal of the major Western oil companies to buy Iranian crude will have bitten deep. The Government's financial ability to stave off disaster in the shape of possibly 50 per cent urban unemployment and an acute shortage of important foodstuffs could be severely curtailed by a cash flow shortage. Empty stomachs and no work (or much reduced State wages) when combined with a harsh Islamic system spell potentially serious political trouble. President Bani-Sadr is undoubtedly aware of the dangers. He wants therefore to rid Iran of the burden of the hostages and the confrontation with the U.S. as

soon as possible. His ability to engineer that outcome is much in doubt.

At the heart of the economic problems confronting this once highly prosperous country is its failure to sell enough oil to pay for its basic needs from abroad and finance a massively bloated public sector at home. In the short term the Iranian Central Bank could certainly throw caution to the winds and simply print far more rials, ignoring the traditional ratio of money supply to foreign exchange cover. But such a policy would undoubtedly accelerate a rate of inflation already running at unacceptably high levels.

In the second quarter of this year it was clear that Iran was running into serious financial difficulties. An emergency budget was promised, to try and bring revenue and expenditure into line. So far it has not seen the light of day, possibly because the planners have been waiting to the last possible moment to see whether the Oil Ministry can somehow land a major contract.

It appears that the results of Iran's oil negotiations have been relatively disappointing. Exports for the rest of 1980 are unlikely to be much above the record level of approximately 800,000 barrels a day reached in the second quarter, while the Western majors plus the Japanese are still staying away.

Two things could transform this gloomy outlook. First, Iran could drop substantially its still high crude oil prices, thus calling the bluff of those who say that price considerations alone prevent the signing of contracts. Second, the hostages could be released on the order of Ayatollah Khomeini, following a favourable decision by the new Parliament.

Significant

Iranians, a conspiracy-minded people, are beginning to draw parallels between 1980 and 1953, when an organised boycott of Iranian oil forced Prime Minister Mossaddegh to his knees. The continuing refusal of the West and Japan to arrange now to buy Iranian oil probably needed later in the year is a significant event, which will grow in importance as the months wear on and the Islamic revolutionaries fail to resolve their differences over the American hostages.

THE TRAINS are running again through Lublin and the authorities are clearly relieved that, for a few hundred zloties extra a month, they have managed to defuse a situation which has been causing grave concern not only in Warsaw but in the Soviet Union less than 60 miles down the line.

Lublin, a leafy provincial town of 300,000 people, which boasts the only Catholic university in Eastern Europe outside State control, has not hit the headlines since 1944 when, 36 years ago today, pro-Soviet

Poles set up a Communist-led provisional government.

Last week, however, it attracted wide attention as railwaymen went on strike followed by bus and trolleybus drivers, the local bakeries and several engineering works. By abandoning trains on both the up and down tracks the strikers effectively blocked the railway lines for four days and pursued their colleagues from Siedlce further up the line not to move in and break the strike as the authorities had requested.

No one in the town can really

MEN AND MATTERS

Savers' saviours go on crusade

The somewhat muffled drumbeat of a new consumer campaign sounded out yesterday in the Palace of Westminster. And there, sounding the charge, was Geoffrey Price, a partner with stockbroker James Capel, who proclaimed to a bemused audience: "The rape of the saver has got to stop."

Price has popped out of his City fastness for the launch of the Savers' Union, a most curious brotherhood devoted to lobbying for, educating and assisting savers. "An injustice has been done for many years to this country's savers," he accused, "and the scale of that injustice has massively increased in recent years."

Nodding their agreement at several of his associates on the union's founding committee. An all-party pressure group, it includes Lord Lever, battling

alone for Labour. Tory MPs John Fage and Ralph Howell (described by the blurb as a "campaigner for common sense in Social Security matters") and past Liberal president Lord Banks ("an expert on Gilbert and Sullivan").

The official version of the aims of the union—to "promote the concept of the saver as a most useful and admirable member of society"—has at least the merit of directness which is lacking when the group comes to explain precisely what it is for. It is, as Mr. Price says, "a group which will fight against comprehensive index-linking, and its founders agree (surprise) that inflation is the root of the problem. Beyond that, I am afraid, all is vague. Except for the matter of membership, which is open to all admirable members of society with the £3 subscription in their piggy banks."

Sinking feeling

Getting on for 70, the City's Mining Club is not the spry, venturesome young thing of its early days. Time was, says secretary Ronald Higgs, in the days when it was known as the Digger's Club, when members would return from prospecting in distant continents to weekly yarn-spinning meetings. Now the only social function is the annual cocktail party.

Mining membership has shrunk to about half the 500 total as the number of mining companies operated from London has dwindled, and "non-technical" members have moved in. But there are still not enough, and their fund-raising efforts have fallen £16,000 short of the £25,000 needed for refurbishment. So the committee has had to resort to passing the hat round the leading mining firms and the five joint stock

Still, the situation does not appear desperate. Whatever its financial straits, the club has not yet thrown caution to the winds

and invited women to join. "I suppose we are chauvinistic," says Higgs. "The matter has been brought up from time to time but we have got round it by saying we haven't the right facilities."

Smoke signals

Thailand, like much of the rest of Asia, is "Marlboro country." So when tobacco workers went on strike in January it seemed logical that the State monopoly should lay in reserves from abroad to feed the Thai's insatiable appetite for the weed.

Sadly, however, the strike lasted only 10 days and since the Government had stripped the Marlboro cartons of their cellophane for excise reasons, the strategic reserve quickly started to go stale. The net result, now sitting in the monopoly's warehouses, is a stockpile of 130,000 cartons of unwanted cigarettes worth \$1.3m retail.

While this will generally pay a premium for smuggled foreign smokes, no one is interested in this batch: an attempt to auction the stock failed to raise a bid to cover the import price. But the Government may yet make good its losses and at the same time take revenge on its ungrateful consumers by shredding the Marlboro and incorporating the ageing tobacco in domestic brands.

Blue murder

The Co-operative Party chanced on an uncommonly sensitive spot when it swung the axe last week. What the official line describes as a "streamlining" in the Central Office bureaucracy—merging the Community Affairs department with the organisation's main body—has been attacked from all sides.

Party chairman Lord Thorneycroft, for example, has been called to account by the 1922 Committee's executive,

and all MPs are being lobbied by furious party workers who feel slighted by what one leader called "a mean and ungrateful hatchet job."

The Young Conservatives, the Federation of Conservative Students and the party's trade union activist group have all lost their national organisers in the shufflings which have so far made 11 staff redundant. Since these groups are numbered in certain corners of Central Office among the "lefties" of conservatism, there is some suggestion that "purge" might be a better description of the moves than "streamlining."

"They have cut out the workers and left the bureaucratic layer intact," said one angry young man. And if economy was the aim, he added, the redundancies were unlikely to save much. The national organiser of the YCs, for example, was paid little more than £5,000 a year. "If they want to economise why did they recently lease 60 new cars? Some went to people in Central Office who had not asked or did not need them."

For all the indignation, however, it is difficult to find any among the aggrieved willing to be openly antagonistic. They are, of course, almost wholly dependent on the party's paymaster for their activities. The Young Conservatives, for example, are in a particularly difficult position. Currently negotiating funding for their ambitious expansion plans for the next year, they are snarling menacingly but are hardly in a position to bite the hand that feeds.

Fair comment

Heard in the Savoy: "Richard understands Darwin's theories, of course, but he's damned sure they were never intended to apply to the British."

Observer

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مكازم الأصول

UK papermakers suffer on three fronts

BY WILLIAM HALL

مكازم الصحف

YESTERDAY'S announcement of cut-backs at John Dickinson Stationery underlines the fact that the British paper and board industry is facing its worst crisis since the elimination of EFTA duties on Scandinavian imports into the UK in the late 1960s. Large parts of it are losing money and several companies are facing severe financial problems.

So far this year one paper mill a month has been closed and one paper machine, the basic unit of production, shut down on average every ten days. During the last 18 months there have been close to 1,000 redundancies, in an industry employing around 60,000, and Mr. Bill Keys of the Society of Graphical and Allied Trades (SGOAT) has warned that there could be another 10,000 redundancies before the current recession is over.

Over the past few months Unilever's Thames Board Mills has closed a substantial amount of its older board making capacity as has Imperial Group's St. Ann's Board Mills. Wiggins Teape has announced the closure of its Fort William pulp mill and abandoned plans to build a newsprint mill. Meanwhile, several smaller mills have closed.

Reed and Bowater, Britain's two biggest paper makers, are both losing money on their UK newsprint operations and companies producing other commodity type grades of paper, such as test liner, a material used for making corrugated cases, and packaging board with a high domestic waste content, are under severe financial pressure. Their prices must be competitive with dollar based products while their costs are fixed in sterling and this has led to a severe squeeze on margins.

Roughly half the 7.5m tonnes

of paper and board consumed in Britain each year now comes from abroad and the strength of sterling during the past year has seriously damaged the competitive position of the domestic industry. For exporting companies, the position is equally grim.

Mr. R. J. Wylie, joint managing director of Tullis Russell, one of the most successful and innovative firms in the industry, believes that most British companies are now losing money on their paper exports.

He cites the case of the German market — the third most important for UK paper and board exports. "During the past six months the UK rate of price inflation has been 8 per cent higher than the rate in Germany, added to which sterling has appreciated by around a tenth with the result that British exporters, on this particular market, are some 18 per cent worse off."

Admittedly, the strength of sterling has benefited those sections of the industry buying their raw materials from abroad and sell to a captive British market, such as Wiggins Teape's carbonless copy paper. Even so, events such as the long UK printing strike earlier this year have hit the domestic market badly. John Dickinson Stationery is the latest casualty.

Many publishers have gone abroad for their printing with a consequent loss of demand for British paper. Mr. Tom Corrigan, chairman of Inveresk, says "something like 50 per cent of all book printing in the UK has vanished overseas in the past year. These books will be published on foreign paper."

In addition to the problems caused by the high exchange rate and loss of printing business resulting from the National Graphical Association (NGA) strike, the British paper industry is also facing a sudden drop

in demand. Plants which had been working at full capacity six months ago are now operating at as low as 75 per cent capacity. In a continuous process industry this is often below break-even levels.

The paper and packaging industry is always one of the first to feel any recession and this time the effects have been more marked because of the high level of interest rates which has led to a substantial reduction in stocks over the past few months.

The current recession first hit the paper industry in the late spring. Mr. J. J. Beon, chief executive of Reed Paper and Board (UK) says: "Corrugated case production is currently run-

ning at 20 to 25 per cent below capacity" and according to Mr. Wylie, of Tullis Russell, demand for some paper products has fallen by up to 30 per cent over the past few months. Overall he thinks demand will be around 15 per cent down for the year when the destocking has finished.

While the drop in demand is not yet as marked as in 1975, when British consumption fell by a quarter in the space of a year, UK paper producers argue

that the current recession is more serious. Sterling has been appreciating, while during the earlier recession it had been depreciating, and by the end of 1975 was close to a fifth below the current exchange rate, and falling. In addition, interest rates were substantially lower the last time round—11 per cent against the current 16 per cent.

For these reasons the British paper industry does not feel it can carry on without some form of Government assistance. During the past 15 years 30,000 jobs have been lost in the industry and import penetration as a percentage of the total market has risen from 28 per cent to 48.6 per cent.

STRUCTURE OF THE BRITISH PAPER INDUSTRY

	Case-making	Packaging papers	White papers	Total
Reed	265	270	50	740
Bowater	240	10	190	430
Thames Board	40	390		430
Wiggins Teape	12		285	285
Davidson Radcliffe	12	238		250
Dickinson Robinson		125	120	245
Imperial Group	131		34	164
Townsend Hook	110		35	145
Reed and Smith	27	35	22	144
Inveresk	25		111	136
Total UK	1,120	1,694	1,363	4,942

Source: Laing & Cruikshank's Paper and Packaging Directory 1980/81

The continued decline of the UK paper industry appears inevitable unless it receives some form of assistance. With very few exceptions, British papermakers are not investing anywhere near as much as their Continental rivals and even when they are, there must be considerable doubt about the current viability of the projects.

Thames Board's £33m expansion of its Worthington mill, a case in point. Once completed next year, its output of 150,000

tonne per annum of high quality duplex board will be aimed at a part of the UK market primarily supplied by imports.

When the project was announced in late 1977 sterling was down at \$1.70. The exchange rate is now some 40 per cent higher, which must throw into doubt most of the assumptions on which the project was based and financed.

At least Thames Board, as part of the giant Unilever group, can afford to ride out a few lean years. The same goes for some other British producers such as Reed, Bowater and St. Annes (part of the Imperial Group). However, other companies are less fortunate; some such as Inveresk and Cutler Guard Bridge have already cut their dividends. Another, Britains, the Staffordshire based fine paper markets, has had to call in the receiver and others are likely to have to do the same.

Yesterday a posse of paper makers led by the British Paper and Board Industry Federation (BPIF) took their problems to Sir Keith Joseph, the Secretary of State for Industry.

Their message was simple. They stressed: "Large sectors of the industry are no longer viable for reasons completely beyond their control," and without Government action the rate of mill closure and redundancies would accelerate.

Th papermakers want help in three areas. Lower interest rates, a reduction in energy costs and temporary import controls. Of the three, the last two are far and away the most important.

On the energy front, Britain's papermakers feel that they work under a particularly serious disadvantage by comparison with their rivals. According to Mr. J. J. Benn of Reed this is the single biggest problem facing the industry.

The paper industry is the sixth largest energy consumer in the UK. Since 1974 the cost of the

energy content per tonne of paper produced has more than doubled to 15 per cent of the total, and papermakers are forever citing examples of how much more they have to pay for energy than their overseas rivals.

Fuel oil provides 39 per cent of the 1bn thermes of energy consumed annually by the British paper industry. According to the BPIF, UK papermakers pay 11p per litre of heavy fuel oil, compared with 8.2p in Sweden, 7p in France, 4.5p in America and 3.8p in Canada.

A quarter of the paper industry's energy comes from coal (and there is little prospect of increasing this share in the short term) and while West German and French papermakers pay more for their coal than British papermakers, the latter still pay roughly twice as much as the Dutch and three times as much as the Americans.

Coal is equally important for UK producers and here again British papermakers appear to be saddled with a major cost disadvantage compared with their major competitors. Large-scale users in the UK pay 23.6p per therm compared with 15.2p in France, 12.1p in the U.S. and 1.2p in Canada. In addition, most other countries get discounts of up to a fifth for bulk purchases. British papermakers, in contrast, get a half per cent discount.

Apart from wanting Government assistance with its energy costs the British paper industry is lobbying hard for temporary import controls. It is less sure of its ground on this score but is no less committed to the principle of some form of temporary protection for the industry.

It rests its case on the argument that much of the imported paper and board is "uneconomically priced" and supplied by producers which are reporting substantial operating losses and are receiving financial state help

directly or indirectly. The industry also believes that North American exports to Britain are greatly helped by the subsidised energy programmes.

It is clear that many Continental producers are being kept in business with state aid and others are expanding their capacity with a level of official support unavailable to British paper companies. In Holland, in particular, two of the largest paper companies, KNP (Royal Dutch Paper Mills) and Van Gelder, have been losing considerable sums of money for years.

The story is much the same in other European countries. The Brussels Government has recently pumped extra capital into Intermilla, Belgium's second largest papermaker which has been losing money for years, and now owns just under a third of the company.

In France, Europe's largest market pulp producer, Crouppement European de la Cellulose (CEC) has been making substantial losses for a long time and MacMillan Bloedel, the Canadian forest products company, which owned a third of the equity, has decided to withdraw. MacMillan's top man in Europe has been quoted as saying that CEC is "not manageable."

In the view of the British companies, their case for import controls is strengthened by the potential damage which could be caused by North American exports to Britain. For many papermakers this is far more worrying than either EEC or Scandinavian competition.

At present North American competition is largely limited to newsprint and kraft liner. America produces 10m tonnes of kraft liner a year and Canada produces 9m tonnes of newsprint. Assuming the North American producers experience

DECLINE OF BRITAIN'S PAPER INDUSTRY		
Year	Mill closures	Machines shut
1971	17	23
1972	5	13
1973	3	10
1974	4	6
1975	4	20
1976	3	4
1977	—	2
1978	4	37
1979	5	37
1980†	6	19

† No account taken of new machines. At the end of 1979 there were 140 paper mills and 400 paper machines in the UK.

Source: British Paper and Board Industry Federation.

a 10 per cent fall in demand as a result of the recession then the U.S. has to find a market for an extra 1m tonnes per annum of kraft and Canada needs to find a home for almost the same amount of newsprint.

As Britain only produces 350,000 tonnes per annum of newsprint and 1m tonnes per annum of corrugated case materials, aggressive marketing of the surplus North American newsprint and kraft liner in Britain could deal a death blow to two important parts of the domestic industry.

In addition, British producers fear that the North Americans could start exporting much greater volumes of the high quality printing and magazine papers (particularly the lighter weights) and this could in turn seriously damage another major sector of the UK industry.

It is against this sort of background that the British paper industry is looking for some form of Government help. Not all papermakers believe that temporary import controls can be justified but they are unanimous in their belief that Britain's high energy prices relative to those of their competitors are unjust.

vacancies. Bricks and cement production for June.

COMPANY MEETINGS

ALLIED Breweries, Chartered Insurance Institute, Aldermanbury, EC. 2.30. BET Omnibus Services, Stratton House, Piccadilly, W. 2.30. Eastern Produce, 100 Old Broad Street, EC. 12. Hambros, 44 Bishopsgate, EC. 12. New Throgmorton Trust, 25 Milk Street, EC. 12.30. Noroand Elec., Kensington Palace Hotel, De Vere Gardens, 11.45. Pegler-Hattersley, Doochester, 12. Robertson Foods, 50 Burnhill, Becham, Kil. 10.30. Sterling lods, 2 St. Mary Axe, EC. 12.30. Whitbread, The Brewery, Chiswell Street, EC. 12.30.

Today's Events

GENERAL
UK: Mr. David Howell, Energy Secretary, addresses Royal Institute of International Affairs, London.

Institute for Fiscal Studies publishes report on public spending and taxation.

Greater London Council meets to decide structure and composition of London Transport Executive Board.

British Gas Corporation publishes annual report.

Iron and Steel Trades Confederation meets to discuss possible expulsion of 400 members at Sheerness Steel.

Mr. Barney Hayhoe, Army Parliamentary Secretary, visits Army Air Corps, Middle Wallop.

The Duchess of Kent opens the new Queen Elizabeth Hospital, King's Lynn.

Prince Philip attends Wasteland conference, Wapping Sports Centre, E1.

Microcomputer Show opens, Wembley Conference Centre (until July 24).

Overseas: EEC Agriculture Council meets in Luxembourg.

EEC Foreign Ministers meet in Brussels.

PARLIAMENTARY BUSINESS
House of Commons: Criminal Justice (Scotland) Bill, remain-

ing stages. Northern Ireland Orders.

House of Lords: Motion on Lords' expenses and ministerial and other salaries and pensions order. Housing Bill, report.

Select Committees: Defence on D Notice system. Witnesses: New Statesman, Sunday Times, Mr. Leonard Dourie. Room 8, 10.30 am. Treasury and Civil Service on monetary policy. Witnesses: Prof. D. Laidler. Room 15, 10.45 am.

OFFICIAL STATISTICS
July provisional figures for unemployment and unfilled

Letters to the Editor

OPEC's development aid superior to other donors

From the Director General, The OPEC Fund for International Development

Sir—Your editorial (July 15) entitled "OPEC due to the Third World" contained several inaccuracies and misconceptions.

As the editorial reluctantly admits, the Organisation of Petroleum Exporting Countries' aid to other developing countries is markedly superior to the aid provided by other donor countries, be they members of the Organisation for Economic Co-operation and Development or of the Eastern bloc. This superiority is not only due to the high aid-to-gross national product ratio achieved by OPEC member countries but also to the inherent differences between the economies of OPEC and OECD countries.

It is important to recall in this regard that the 0.7 per cent target aid-to-GNP ratio set by the UN over a decade ago and recently emphasised by the Brandt commission as a target to be reached by 1985, has long been exceeded by OPEC as a group. In the more relevant cases of the so-called Arab "surplus" countries, the target has been exceeded, since they started their aid efforts, by six to 22 times, depending on the country and the year. In fact, the level of aid to GNP of the world (in terms of aid-to-GNP) have since 1974 consistently been Arab members of OPEC. Some of these countries are giving, even in absolute terms, much more than the richest countries in Europe. The OECD countries, in comparison, are said to have given 0.34 per cent of their GNP in 1979, but have in fact done markedly less, as they include in their aid figures assistance to Southern Europe, Israel and their dependent territories.

It is also interesting to note that according to the latest (1979) World Bank atlas figures, the GNP of all OPEC countries

is 7 per cent of that of the OECD. While Kuwait and the United Arab Emirates were giving at times more aid, in absolute terms, than France or Germany, the total GNP of all the Arab members of OPEC, including Iraq and Algeria, represented 36 per cent of the GNP of France and 27 per cent of that of Germany. According to OECD statistics, the four "surplus" states of the Gulf have consistently given together much more aid in absolute terms than the U.S. did, while their GNP constitutes 44 per cent of that of the U.S.

More importantly, a typical OPEC donor country does not provide its aid out of a renewable annual income or as an attempt to promote its own exports, as is often the case in respect of industrialised donors. In fact, the concepts of GNP and of surplus are quite different. In the case of countries such as Saudi Arabia or Qatar, the level of oil production to meet the needs of the U.S. or the UK. For the Arab donors, the "surplus" and to a great extent the GNP itself, is the result of the level of oil production they maintain to meet the continued demand of industrialised countries. Their GNP could thus be drastically reduced, and their surpluses eliminated, by a mere administrative decision to lower the level of oil production to meet only their financing needs. These surpluses are not, in other words, an evidence of the accumulation of new wealth or even a reflection of an added value to the economy.

Under present inflation rates and currency depreciation, many have argued that the accumulation of surpluses by OPEC countries is a losing proposition. They would be better off keeping the appreciating oil in their own soil rather than transforming it into depreciating paper money in the hands of others, which in turn creates false appearances of wealth and prompts claims such

as those appearing in your editorial.

A figure quoted (\$83bn) for the current account deficit of developing countries in 1980 is equally misleading if not viewed in its proper context. Most of this amount is accounted for by a few high income developing countries, which in every other respect are richer than all OPEC member countries. Nor are these deficits caused by the rise in oil prices only. In fact, the ten largest Third World debtors in 1979, which incidentally included five OPEC members, accounted for 75 per cent of the total debt services of developing countries. Brazil and Mexico accounted for 30 per cent of the total. The latter, it should be noted, is an oil exporting, not importing country.

It is not commonly observed that about 70 per cent of the oil imports of developing countries are accounted for by eight countries only, most of which are high-income and semi-industrialised countries. OPEC aid was never meant to compensate for higher oil prices, otherwise it would have gone to the better off developing countries, instead of the poorer countries which have actually been the beneficiaries.

There is no case in fact for compensation. According to the latest "World development report" of the World Bank, the price of oil did not increase in real terms in the period 1974 to mid 1979, which witnessed the peak of OPEC aid. Nor has the principle of compensation been invoked in respect of any other commodity. The philosophy of OPEC aid has been rather based on the principle of solidarity among developing countries and the need to assist the worse off among them, taking all economic and financial factors into consideration. It is not meant to give a lower price for a commodity whose price has still not reflected its true scarcity value.

It is simply untrue that OPEC aid has been mainly provided for project assistance and that there is a case, therefore, for establishing a new fund to provide balance of payments (BOP) support.

If anything, OPEC aid as a whole has been characterised by the large portion of general or BOP support which accounted, in some years, for as much as two-thirds of the total. In the case of the OPEC Fund, 106 of the 199 loans so far concluded, have been given for balance of payments support. In fact, the OPEC Fund was the first international development agency to combine BOP lending and project lending from the very beginning of its activities.

The Algeria and Venezuela proposal was not to establish a fund to provide balance of payments assistance as claimed in the editorial. The proposal was to convert the present OPEC Fund into a development bank with a share-capital of \$20bn which would resort to borrowing on the strength of its callable capital and which would provide different types of loans for different development purposes. The OPEC Ministers of Finance opted in their last meeting to increase the resources of the present OPEC Fund and to strengthen its role as a source of concessional financing. In this approach the Fund relies on the replenishment of its resources rather than on borrowing from the market to carry out its lending activities. Other proposals, including that of Algeria and Venezuela, are under study for possible future action.

There is agreement among OPEC countries on the objective of strengthening their financial solidarity with other developing countries for the benefit of the Third World as a whole.

Ibrahim F. I. Shihata, P.O. Box 995, 1011 Vienna, Austria.

Erroneous notions of Japanese car sales in Europe

From the Director of the Information Service, Japanese Mission to the European Communities.

Sir—Concern over the increased imports of Japanese cars into EEC countries has been recently expressed by EC automobile manufacturers on various occasions. The Government of Japan is well aware of the concern, and so are Japanese car manufacturers and exporters.

Criticism directed against Japan in this respect, however, is often totally fallacious and I feel obliged to correct some of the erroneous notions that seem to exist in Europe.

The average hourly wage in Japanese car factories (\$6 per hour, in 1979 at ¥220/\$1) is at the same level as that in France and higher than that in the United Kingdom.

The social security system in Japan is comparable to that of EC countries in the pension system, public welfare assistance, medical and health insurance, etc. In the case of the pension system, for instance, the standard "welfare pension" benefits in Japan were ¥82,237 per month (1978), ¥57,039 in Britain (1977) and ¥84,099 in West Germany (1977). It must be remembered

also that Japanese enterprises spend a considerable amount of money for the welfare of their workers by providing them with dormitories, sporting grounds, summer and winter villas and training courses in cooking, flower arrangement, foreign languages, etc.

The actual concern of the Japanese monetary authorities is to prevent an excessive depreciation of the yen, which would lead to intolerable price hikes in Japan through higher prices of imported goods, especially of crude oil. And this is exactly what they have done in the past few months. The yen started appreciating again very rapidly since April, 1980.

The Japanese have a general predilection for foreign goods and will gladly buy them if their quality and price are comparable to home made products. The case of automobiles, however, the present situation is that Japanese cars are much cheaper, much more reliable, more fuel-efficient and assured of better after-service.

Imports of cars into Japan are completely liberalised since 1965, while a member of the EC (Italy) maintains discriminatory quantitative restrictions (2,200 units per year) against Japanese cars and two others (France and the UK) manage to keep,

by administrative means or by industry-to-industry arrangements, the share of Japanese cars in their respective markets under certain percentages (3 per cent in France and about 10 per cent in the UK). The import duty on automobiles is 0 per cent in Japan since 1978, while it is 10 per cent in the EC.

It is true that the price of a European car when imported into Japan becomes much higher than its original price, but this is largely explained by the following elements, most of which could be rectified through additional efforts on the part of the European manufacturers and exporters, including a shift in their sales policy towards "quick sales at small profits". Ocean freight is an additional cost of course inevitable, but the freight paid for a European car shipped to Japan is paid substantially higher than that paid for a Japanese car exported to Europe, as most Japanese cars exported today are shipped on specialised vessels.

Modification/preparation cost: everybody must comply with the legislative controls of importing countries. Even though the Japanese Government has accepted to postpone application to imported cars of certain anti-pollution regulations, some modifications are still necessary

before imported cars are authorised to run in Japan.

It should be noted, however, that even minor modifications become costly when they are carried out after completion of vehicles and on a small number of cars. Japanese cars for export are manufactured from the start specifically in such a way as to meet the administrative requirements of each foreign market. (Incidentally, it is not strange that some of the European car manufacturers do not even bother to make right-hand drive cars for the Japanese market where over 90 per cent of the cars are driven on the left-hand side.)

Dealer margin: Profit margins for imported car dealers in Japan tend to be great (as do margins for their manufacturers) for they live on the sales of a small number of imported cars after making considerable investment to provide for show-rooms and service facilities in the world's most expensive land.

The charging of higher prices is not conducive to mass sales, which in turn makes it difficult to reduce margins. New efforts would be necessary to put an end to this vicious cycle. Takashi Miyazaki, Information Service of the Mission of Japan to the European Communities, Avenue des Arts 58, 1040 Brussels.



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MINING NEWS

Bougainville should do well, if costs allow

KENNETH MARSTON, MINING EDITOR

The continued decline in the price of ore mined as operations expand into the areas of lower mineralisation at the Rio Tinto group's big Bougainville super-gold mine in Papua New Guinea is underlined in the company's report for the June quarter.

The amount of ore milled during the period increased, but the price of gold fell further to 0.46 per cent from 0.48 per cent in the previous three months while that of silver was 0.58 grammes per ounce (0.58 grammes) and silver 1.45 grammes (1.45 grammes).

The amount of silver contained in the concentrate produced in the June quarter fell to 36,245 tonnes from 37,468 tonnes in the previous quarter. The amount of gold contained in the concentrate was also down, from 3,590 kg in the previous quarter to 3,519 kg in the June quarter. The amount of silver contained in the concentrate was also down, from 10,235 kg in the previous quarter to 9,901 kg in the June quarter.

Mr. G. Watson, the Bougainville mine's general manager, has already said that the company is not planning to cut back on its operations, but is concentrating on the objective of minimising the cost of the declining ore price.

Mr. Watson said that the company's good performance last year and its earnings were the result of the country's higher gold prices and the current higher levels of metal prices.

Engelhard well ahead at halfway

AMERICA'S Engelhard Minerals and Chemicals recorded an advance in net profits of 156 per cent during the second quarter, following a rise of 198 per cent in the first quarter. Net profits were \$139.08m (£59m) or \$2.05 per share, on sales up from \$350.8m to \$838.2m.

This performance left the company 163 per cent ahead at the halfway stage of the year at \$280.51m, which compares with the record full-year profits of \$850m returned in 1979.

Engelhard is linked with South Africa's Anglo American Corporation through Minero of Bermuda, which holds 29 per cent of the equity.

The company said yesterday

that the primary source of its second quarter profit gains was the Philip Brothers division, whose marketing results remained strong during the period.

This division, traditionally the major profit producer, is a leading international marketer of more than 180 industrial raw materials including minerals, metals, fuels, fertilisers. The recent volatility in many commodity prices has provided greater opportunities for wider profit margins.

Engelhard said that its precious metals operations also turned in improved results, but the non-metallic minerals operations reported a small decline in profits.

Larger stake for CRA in bauxite venture

IT looks as though things are at last beginning to come right for the troubled Mitchell Plateau bauxite/alumina project in the Kimberley region of Western Australia. Conzinc Rhotondo of Australia's wholly-owned subsidiary Mitchell Plateau Bauxite has exercised an option to raise its stake in the venture from 10 per cent to 52.5 per cent.

When CRA originally acquired the option in June 1979, it said that it would be exercised if a 12-month mining feasibility study proved successful.

A further 17.5 per cent of Mitchell Plateau is held by Alcan Bauxite, in which Amax of the U.S. and Japan's Mitsui each have a 50 per cent stake. The remaining 30 per cent of the bauxite project is held by European and Japanese interests.

Amaz originally mapped out the project 10 years ago, but ran into a world surplus of bauxite. Amaz, also of the U.S., then expressed an interest, but soon pulled out.

The original project envisaged a combined bauxite/alumina complex sited on Western Australia's Admiralty Gulf, with an annual capacity of 2.4m tonnes. From this point, alumina could be shipped around Australia and to overseas smelters.

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CORONATION SYNDICATE

NET PROFITS of Lourho's Coronation Syndicate of South Africa have moved ahead sharply in the third quarter ended June 30, following the receipt of a substantial dividend payment from the Zimbabwe copper and gold subsidiary Corryn Consolidated Mines.

The South African company's net profits were R3.94m (£2.13m) compared with R106.5m in the previous quarter, when no payment was received from Corryn.

Corryn paid a dividend of 4m Zimbabwe dollars (£2.7m) to Coronation Syndicate for the period. Net profits were one-third lower than in the previous quarter at R22.19m, partly as a result of labour unrest.

Working profits at all four of the group's mines were lower, and the Inyati mine slipped into the red.

N. Rothschild launches fund

N. M. Rothschild and Sons is launching a multi-currency cash fund based in Guernsey. The fund, Old Court International Reserves, allows investors to purchase shares denominated in ten currencies including sterling.

The shares are to be listed on the London Stock Exchange.

ADJOURNMENT FOR GILGATE

A petition for the compulsory winding-up of Gilgate Securities, management and administration company for the Gilgate group, was adjourned for a week in the High Court.

The petition has been presented by the Inland Revenue, creditors for £48,000 PAYE tax.

YULE CATTO/REVERTEX

Acceptances of the original Yule Catto offer have so far been received (including shares represented by acceptances which are not complete in all respects) in respect of 57,067 ordinary shares in Revertex Chemicals (approx. 0.57 per cent). On June 25, Yule Catto owned 4.2m ordinary shares (29.5 per cent).

PENNINE COMMERCIAL

Pennine Commercial Holdings is acquiring Woodcroft Developments, a property development company for a maximum consideration of £175,000 to be satisfied by 1.75m shares.

Pennine also announces that its brokers—John Siddall and Son—have agreed to subscribe for 2m shares at 11p per share. These shares are being placed with Siddall's clients at 11p.

Woodcroft's assets consist of a development site and buildings at North Newbold, Leicestershire, valued by Pennine's valuers at £120,000 and 16 flats in a purpose built block near Sheffield.

The majority of the remaining flats in the block are already owned by Pennine and the flats owned by Woodcroft are valued by Pennine's directors at not less than £80,000.

BIDS AND DEALS

Ibstock challenged on Glen-Gery acquisition

BY CARLA RAPOPORT IN NEW YORK

The U.S. Department of Justice has filed a civil anti-trust suit challenging the \$10m (\$US21m) acquisition by Ibstock Johnson, of Glen-Gery, of Reading, Pennsylvania.

Both Glen-Gery and Ibstock Johnson, through its ownership of the Marion Brick Company of Marion, Ohio, are major U.S. manufacturers of facing brick which is used primarily for wall exteriors and partitions in building construction.

The complaint claims that the acquisition violates the Clayton Act which prohibits anti-competitive mergers and asks that Ibstock Johnson divest itself of its interest in Glen-Gery.

The complaint also alleges that the acquisition has eliminated competition between Marion Brick and Glen-Gery in the manufacture and sale of facing brick and will increase concentration in the manufacture and sale of facing brick in the north-east of the U.S.

Mr. Sanford Litvack, assistant Attorney General in charge of the Anti-Trust Division, said that through its control of Glen-Gery and Marion Brick, Ibstock Johnson is now the largest manufacturer of facing brick in an area of 13 north-east states, and controls about 20 per cent of the market.

In addition, Ibstock is among the three largest producers of facing bricks in the U.S., according to the complaint.

HALL BROTHERS

The Stock Exchange has given permission for dealings to recommence under Rule 163(2) in

the ordinary shares of Hall Brothers Siamship Company following the offers for Brint Investments being declared unconditional in all respects.

Hall will shortly be changing its name to Brint Investments.

BROWN BROTHERS/ELECTROSTART
Brown Brothers has acquired 51 per cent of Electrostart, a manufacturer of starters, dynamo and alternators based in Stourbridge in the West Midlands.

The consideration amounts to £535,000 with an option to acquire the remaining 49 per cent at the same price per share, adjusted by future increases in the Retail Price Index.

Electrostart's profit before tax for the year ended April 30, 1980, amounted to £253,000 and the net worth (including share capital, reserves and deferred tax), £711,000.

Brown Brothers is part of the Brown Brothers Corporation (distributors of motor accessories), which is itself controlled by Dana Corporation of the U.S.

£2.2m purchase by Thomas Tilling

Thomas Tilling, the diversified UK industrial group which has been expanding rapidly in the U.S. in the last few years, is planning to add to its UK distribution interests.

Tilling, which announced in May that it intended to spend some £80m on existing UK operations in the current year, is making a recommended offer to acquire Crogon and Co., a private company distributing wire fencing and allied products.

The terms, which have been irrevocably accepted by the directors of Crogon and associates in respect of 27 per cent of the capital, are 2.474 ordinary Tilling shares for each of the 500,000 Crogon shares. Based on Tilling's close of 178p (up 4p) yesterday each Crogon share is valued at 440p and the entire capital at £2.2m.

Through Graham Building Services, Tilling already owns H. L. Goodman and Son (Bristol), a wholesale distributor of UK manufactured wire fencing, agricultural merchant, fencing contractor and builders merchant, with seven depots in England and Wales. Tilling feels that the association of the two companies will provide considerable benefits including a wider product range and service facilities throughout the UK, and the expansion of outlets for fencing materials manufactured by Goodman.

Crogon had a turnover of £11.2m in 1979 while profits fell from £250,000 to £75,000. Tilling showed profits of £31.1m for 1979 on sales of £1.42bn.

NFU to canvass beet growers on Brit. Sugar share purchase

THE NATIONAL Farmers Union is to canvass members who grow sugar beet to find out if they want to buy shares in British Sugar Corporation.

The survey is a result of the £125m takeover bid by the London commodity dealer, S. and W. Berisford, for the Corporation in which the Government has a 24 per cent stake.

If the Government sells its shares, the NFU hopes that farmers will buy to retain a measure of control over the industry. Over the next fortnight, 14,000 sugar beet farmers in the Eastern Counties will be asked if they want to buy shares individually, and be prepared to assign their collective voting

rights to a central authority which will act for their interests.

An NFU spokesman said yesterday: "The union's priority remains to press the Government

to retain its holding, but we must be prepared to buy because the Government's policy is clearly to hive-off its many assets."

Heminway sells more B&Q

Mr. Roger Heminway, a former director of B and Q (Retail), the DIY supermarkets group which came to the market just over a year ago, has reduced his holding in the company by selling a further 809,721 shares—worth £583,000 at yesterday's price of 72p.

Mr. Heminway left the board

in January to devote himself to his other business interests, notably property development.

When B and Q was floated he held 1.98m shares but by the time of his resignation he had sold about 100,000. He said then that he intended to keep a fair number of shares but would probably sell the balance at the right time.

BROWN & TAWSE LIMITED

STEEL AND TUBE STOCKHOLDERS AND PROCESSORS

Results for the year ended 31st March 1980

	1980 £'000	1979 £'000
Group sales	62,947	49,716
Profit before tax	4,158	3,810
Dividend per Ordinary Share	6.4p	5.8p
Net assets per Ordinary Share	192.5p	178.8p

"Our resources are strong and broadly based and will stand us in good stead to face a testing year."

S. Douglas Rae, Chairman

Alexander's

DISCOUNT COMPANY LIMITED

INTERIM STATEMENT
Half year ended 30th June 1980

The Directors declare an interim dividend of 5.5p per share (£269,000); (1979—4.5p—£220,000). The Dividend will be paid on 28th August 1980 to those shareholders registered on 7th August 1980.

The increase in the interim dividend is primarily to reduce the disparity between the interim and final dividends. Whilst the Company has traded profitably during the first half of the year, the total distribution for 1980 must depend on the outcome for the year as a whole. In the meantime trading has continued to be profitable in the period since 30th June 1980.

1 St. Swinith's Lane, London EC4N 8DY

01-526 5457

TELEFAX 893 025

RAS

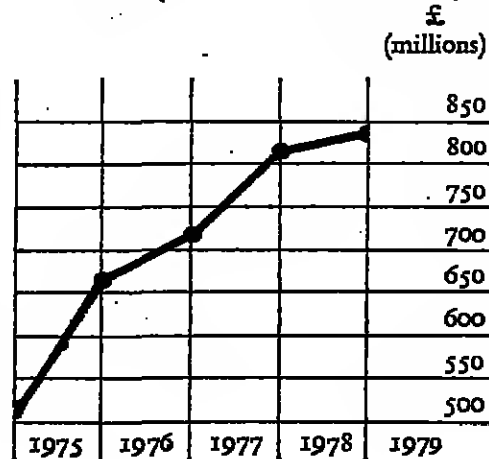
RIUNIONE ADRIATICA DI SICURTÀ

MILAN - ITALY

HIGHLIGHTS OF ACCOUNTS (£)
RAS ONLY, DOMESTIC AND FOREIGN BRANCH OFFICES

	1979
Premium Income	227,815,768
Investment Income	27,278,698
Claims, Maturities and other Benefits paid	113,029,646
Insurance Reserves, Non-Life Branch	147,933,297
Insurance Reserves, Life Branch	285,863,091
Life Sums assured	2,429,283,666
Share Capital	10,718,473
General Reserves	36,598,873
Profit for the year	1,338,278

PREMIUM INCOME OF THE RAS GROUP (ITALY AND ABROAD)



SALES OF THE RAS GROUP

Premium income breakdown in 1979 (in £)

RAS and L'ASSICURATRICE ITALIANA (in Italy and abroad)	416,495,210
Other Italian Group Companies	58,928,123
Foreign Group Companies	362,795,588
Total premiums	838,218,921

RAS Group, Life Business
Total Sums assured . . . £ 4,246,209,477

Brickhouse Dudley

Profits pass £2.5 million

Queen's Award for export achievement

- Results show a satisfactory increase against a background of depressed U.K. construction industry.
- Record exports exceed £5 million—new company formed to offer marketing capability to other organisations.
- Liquidity improves—strong balance sheet.

"1980/81 is going to be difficult for the whole of British industry, U.K. demand in the first quarter has shown this to be so. However, we start with a strong financial position and we shall acquit ourselves well at home and abroad."

R. A. Graves,
Chairman and Chief Executive.

Year to 31st March	1980	1979	1978
Sales	£'000	£'000	£'000
Profit before tax	28,828	24,404	21,061
Ordinary dividend	2.542	2.285	1.981
Earnings per share:	3.20p	2.77p	2.30p
SSAP 15 basis	9.90p	9.08p	7.43p
Fully taxed basis	7.72p	7.20p	6.29p

Manufacturers and distributors of drainage products for the building and civil engineering industry.



This prospectus includes particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information with regard to Old Court International Reserves Limited (the "Company"). The Directors have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein whether of fact or of opinion. All the figures are given in pounds sterling unless otherwise stated. The Company has been registered in the Companies (Guernsey) Laws, 1908 to 1973 and having an authorized share capital of US\$150,000.

Old Court International Reserves Limited

(A company registered with limited liability in Guernsey on 19th June, 1980 under the provisions of the Companies (Guernsey) Laws, 1908 to 1973 and having an authorized share capital of US\$150,000.)

The Company's Manager is N. M. Rothschild Asset Management (C.I.) Limited (the "Manager"), a wholly owned subsidiary of



N. M. Rothschild & Sons Limited

Initial Offer for Subscription of up to 15,000,000 Participating

Redeemable Preference Shares of U.S. 1 cent each

("Shares") of the following classes and at the following prices payable in full on application.

Authorized US\$	Share Capital in Deferred shares of US\$1 each	Allotted and available for allotment US\$
100	15,000,000 unclassified shares of US\$1 cent each available for allotment as Participating Redeemable Preference Shares of any class or as Nominal shares	100
US\$150,100		US\$150,100

CLASS OF SHARES	PRICE PER SHARE
Belgian Franc Shares (Financial)	Fin. B.Fr. 600
Canadian Dollar Shares	Can. \$25
Deutsche Mark Shares	DM 40
Dutch Guilder Shares	Fl. 40
French Franc Shares	F.Fr. 100
Italian Lira Shares	Lit. 20,000
Singapore Dollar Shares	S\$50
Sterling Shares	£10
Swiss Franc Shares	Sw. Fr. 40
United States Dollar Shares	US\$20

DIRECTORS
LEOPOLD DE ROTHSCHILD (Chairman),
New Court, St. Swin's Lane, London EC4,
Executive Director of N. M. Rothschild & Sons Limited,
London.
MICHAEL COMINOS,
New Court, St. Swin's Lane, London EC4,
Executive Director of N. M. Rothschild & Sons Limited,
London.
H. RONALD FRASER,
P.O. Box 650, Hamilton 5, Bermuda,
President and Chief Executive Officer of
Minerals and Resources Corporation Limited, Bermuda.
RICHARD KATZ,
New Court, St. Swin's Lane, London EC4,
Executive Director of N. M. Rothschild & Sons Limited,
London.

DIRECTORS (Cont.)
DONALD LINES,
Front Street, Hamilton 5-31, Bermuda,
General Manager of The Bank of Bermuda Limited,
Bermuda.
SIR JAMES PEARMAN,
Bank of Bermuda Building, Hamilton 5-31, Bermuda,
a partner of Conyers, Dill & Pearman,
Bermuda.
GEORGE M. YANOFF,
P.O. Box 1751, Hamilton 5, Bermuda,
President and Chief Executive Officer of
Oil Insurance Limited,
Bermuda.

SECRETARY
BERMUDA SHIELD TRUSTEE COMPANY LIMITED,
P.O. Box 1020, Hamilton, Bermuda.
REGISTERED OFFICE
St. Julian's Court, St. Peter Port, Guernsey, C.I.
MANAGER & REGISTRAR
N. M. ROTHSCHILD ASSET MANAGEMENT (C.I.) LIMITED,
P.O. Box 58, St. Julian's Court, St. Peter Port, Guernsey, C.I.
Telephone: Guernsey (0481) 26741 & 26331
Telex: 4191673 & 4191607
BANKERS
N. M. ROTHSCHILD & SONS (C.I.) LIMITED,
P.O. Box 58, St. Julian's Court, St. Peter Port, Guernsey, C.I.
AUDITORS
PEAT, MARWICK, MITCHELL & CO.,
Chartered Accountants,
10 Lefebvre Street, St. Peter Port, Guernsey, C.I.

STOCKBROKERS
DE ZOETE & BEVAN,
25 Finsbury Circus, London EC2M 7EE, England.
LEGAL ADVISERS TO THE COMPANY
In Guernsey: OZANNE, VAN LEUVEN & FERRET,
1 Le Marchant Street, St. Peter Port, Guernsey, C.I.
In England: LINKLATER & PAINES,
Barrington House, 55-57 Gresham Street,
London EC2V 7JA, England.
In Bermuda: CONYERS, DILL & PEARMAN,
Bank of Bermuda Building, Front Street,
Hamilton 5-31, Bermuda.
LEGAL ADVISERS TO THE MANAGER
ASHURST, MORRIS, CRISP & CO.,
17 Throgmorton Avenue, London EC2N 2DD, England.

Salient Features

Old Court International Reserves Limited is an open-ended investment company registered in Guernsey. The Company's objective is to provide a means of deploying liquid funds in a currency chosen by the investor. Shares are available designated in any of the ten currencies listed above. A separate fund ("Currency Fund") will be maintained in each currency in respect of each class of Shares. The subscription and redemption moneys will be payable in the currency in which each class of Shares is designated. Each Currency Fund will have a portfolio of assets related to its respective currency. Within each Currency Fund there will therefore be no currency risk. Within a conservative approach to credit assessment the Company's policy is to invest in deposits, bonds, notes and monetary instruments maturing in not more than twelve months. Shares may be applied for on any business day in Guernsey ("Dealing Day"), and may be redeemed on any Dealing Day subject to seven days' notice. Settlement will take place in accordance with Euro-market practice which is normally two business days later. Shareholders can elect to convert from one class to another. There will be no sales charge and there will normally be a single price for the allotment and redemption of Shares of each class, which will be calculated by reference to the value of the net assets of the relative Currency Fund. No dividends will be paid. All income will be accumulated in the appropriate Currency Fund, and the Share prices will be calculated to reflect each day's accrued income. The Manager will charge a fee of $\frac{1}{2}$ per cent per month on the net asset value. It is the aim of the Company not to incur any tax on its income in normal circumstances. Arrangements can be made for the provision of a discretionary currency management service based on investment in the Company's Shares. Further information can be obtained from the Manager.

Allotment of Shares

The initial subscription lists will open at 3.00 a.m. in Guernsey on 29th July, 1980 and will close at 10.00 a.m. that day. Settlement will be due on 31st July, 1980, and provided that settlement has been effected, allotments will be made on that day.

After the initial offer, application for Shares of each class may be made on any Dealing Day. Application may be made by order or on the application form at the end of this prospectus. Shares will be issued in registered form. Full details of the application and payment procedures are set out at the end of this prospectus.

Investment Policy
The Company's investments ("Investments") in each Currency Fund will consist of deposits, bonds, notes and monetary instruments maturing in not more than twelve months, which are available on the Euro-currency markets. The investments of the Sterling Currency Fund may also be denominated in domestic sterling. In addition, in exceptional circumstances, each Currency Fund may invest in domestic Treasury instruments, in respect of any advance tax consequences.

Within each Currency Fund the Company will acquire investments payable in the currency in which the Shares of that class are designated. However, in any Currency Fund the Company may purchase investments payable in another currency provided that a forward currency sale of the principal amount of the investment, plus the expected interest to maturity, is undertaken. In this way the Company will take advantage of opportunities to maximise the return to a particular currency while pursuing the principle that there should be no currency risk within each Currency Fund. A minimum of 20 per cent of the value of the assets in each Currency Fund will normally be available at seven days' notice or less (except to the extent that the percentage is reduced by redemptions and conversions). When the intention will be to reinstate the liquidity margin as soon as circumstances permit. This policy will usually provide sufficient funds to enable redemptions and conversions to be effected without the premature realisation of investments. A conservative credit assessment policy will be pursued. Specific limits will be established for each bank and institution with which the Company invests. Such limits will be designed to ensure that there is a prudent spread of risk in each Currency Fund, except that this policy will not require the Company to make any investment which is less than the equivalent of US\$5m.

Accumulation of Income and Profits
The whole of the net income attributable to each class of Shares will be accumulated within the relevant Currency Fund and will be reflected in the price of those Shares. Accordingly, no dividends will be paid. The Manager.

N. M. Rothschild Asset Management (C.I.) Limited has been appointed to manage the investments of each Currency Fund, to undertake the Company's administration and act as Registrar, under Investment Management and Management Agreements dated 1st July, 1980.

N. M. Rothschild Asset Management (C.I.) Limited, which is a wholly owned subsidiary of N. M. Rothschild & Sons Limited, London, acts as the manager of substantial unit trusts and other similar funds in Guernsey.

Charges and Fees
The Manager will receive for its services out of the respective Currency Funds an aggregate monthly fee of $\frac{1}{2}$ per cent of the value of the net assets of each Currency Fund as computed for calculating Share prices. This fee cannot be increased without the agreement of shareholders in General Meeting. The Manager's out of pocket expenses in relation to its services to the Company will also be borne out of the Currency Funds.

Assets and Liabilities and Income and Expenditure
The assets and liabilities and income and expenditure allocated to each class of Shares will be applied to the Currency Fund relating to that particular class of Shares. The Manager will normally allocate the liabilities of the Company to the Currency Fund to which they relate or, if they do not relate to any particular Currency Fund, between all the Currency Funds pro rata to their net asset value. However, there may be exceptional circumstances in which the Manager with the approval of the auditors, subject to the approval of the auditors, reserves the right to value the assets of a particular Currency Fund in order to meet its liabilities. Certain powers are also given to the Liquidator in the event of the Company being wound up. Further information is contained in sections 5 and 6 of General Information.

Prices, Settlement and Valuations
After the initial offer, the price at which Shares of each class will be provisionally allotted and redeemed will be calculated on each Dealing Day. The day on which settlement is due ("Settlement Day") will normally be two business days after the Dealing Day. The prices on each Dealing Day will be calculated by reference to the projected value of the net assets of the relevant Currency Fund as at the Settlement Day on the basis of information available on the Dealing Day.

As it is intended that the normal policy will be to hold most investments until maturity, the investments comprised within each Currency Fund will be valued on a straight line basis i.e. the total return which will be achieved by holding each investment to maturity will be calculated and the appropriate portion will be added to its value day by day. However, the Manager in discretion, subject to the approval of the auditors, reserves the right to value the investments of any Currency Fund on a different basis should this be considered more equitable. For example, in the event of a major change in interest rates or in the event of a likely capital loss, the valuation basis of the investments affected might be adjusted to reflect their market values. The full valuation provisions are contained in the Company's Articles of Association, which are available for public inspection and copies of which are available on request.

In the event of the relevant foreign exchange or banking markets being closed, the Settlement Day and the issue and redemption prices for Shares where payment is to be made in a currency other than that in which the Shares are designated will differ from those applicable where payment is to be made in the same currency.

Further information on pricing is contained in section 1 of General Information.

Redemption of Shares
Shares of each class may be redeemed on any Dealing Day by giving not less than seven days' notice by letter or in writing specifying the number and class of Shares to be redeemed and giving payment instructions for the redemption proceeds. Notice received after 10.00 a.m. on any day, or on a day which is not a business day in Guernsey, will be deemed to have been received on the next business day. Payment of the redemption proceeds may be made in any of the currencies listed above, either by transfer to the Shareholder's bank account or by cheque posted to the Shareholder at his registered address. The Share Certificate (with the redemption request on the reverse duly completed) must be received by the Company in Guernsey not later than 10.00 a.m. Guernsey time on the Dealing Day.

The price at which Shares are redeemed will be the price calculated on the Dealing Day except as detailed in the fifth paragraph of section 1 of General Information. Payment instructions for the redemption proceeds to be paid on the Settlement Day will be given by the Company to its bankers in Guernsey or the appropriate cheque will be posted to the Shareholder at his registered address. The Share Certificate (with the redemption request on the reverse duly completed) must be received by the Company in Guernsey not later than 10.00 a.m. on the intended Dealing Day if the Shares are to be redeemed until it is so received in which event the redemption price will be the price ruling for that subsequent Dealing Day and settlement will take place accordingly.

All Shares of each class not previously redeemed will be redeemed by the Company on 31st December, 2080 or, if that is not a Dealing Day, on the next following Dealing Day, at the respective redemption prices on such day for settlement on the relevant Settlement Day.

Conversion Between Classes of Shares
Shareholders have the right to convert all or part of their holdings of any one class of Shares into Shares of

another class or classes by giving notice in writing or telefax of their requirements. The same period of notice as for redemption will be required, followed by receipt by the Company of the old Share Certificate with the conversion request on the reverse duly completed.

Conversion may take place on any Dealing Day, subject to such notice, at a rate calculated by reference to the values of the Shares of the classes concerned on the appropriate Dealing Day (reasons being disregarded) after allowing for the costs of conversion between the appropriate Currency Funds.

The new Share Certificate will not be posted to the shareholder until the old Share Certificate with the conversion request duly completed, has been received by the Company, but the conversion will not be delayed as a result. The right to convert is dependent on the Company having sufficient available capital at the level which will normally be possible. The Manager will endeavour to procure that the available capital is at a level where this will normally be possible.

Further information is contained in section 2 of General Information.

Foreign Exchange Transactions
Where payments in respect of allotments or redemptions of Shares are to be made in a currency other than that in which the Shares concerned are designated, the necessary foreign exchange transactions will be arranged by the Company, normally with N. M. Rothschild & Sons (C.I.) Limited, on behalf of and for the account of the applicant or shareholder without responsibility as respects the Company.

Commission
The Manager may at its discretion pay commission to Investors' agents, without recourse to the Company. Such commissions will be calculated at 1/84 per cent per month of the month-end value of the Shares subscribed through the agent in question. Commission will normally be paid in the currency chosen by the agent concerned.

The Company
It is not expected that the Company will incur any tax in Guernsey other than Guernsey corporation tax, at present 33.33 per cent.

It is intended that the Company will be resident in Bermuda and be subject to an annual registration fee, currently of \$51,500. It is not expected that the Company will be subject to any tax in Bermuda. The Company has made enquiry in the countries in whose currencies the different classes of Shares are designated, on the basis of the information received and having regard to the manner in which the Company proposes to conduct its operations, considers that it should not incur any taxes in those countries in normal circumstances.

Shareholders
Shareholders are not subject to any tax in Guernsey in respect of any Shares owned by them. Shareholders are not subject to any tax in Bermuda with respect to Shares owned by them (except for shareholders domiciled in Bermuda).

Clearance has been obtained from the Board of Inland Revenue of the United Kingdom under Section 454 of the Income and Corporation Taxes Act 1970 that the provisions of Section 450 of that Act (cancellation of tax advantages from certain transactions in securities) will not apply to the issue or redemption of Shares of any class.

For persons resident or ordinarily resident in the United Kingdom for taxation purposes, conversion of Shares will be treated as a disposal for capital gains tax purposes.

The attention of individuals ordinarily resident in the United Kingdom is drawn to Section 478 of the Income and Corporation Taxes Act 1970. This introduces provisions for preventing avoidance of income tax by individuals by transactions resulting in the transfer of income to persons (including companies) abroad who may render them liable to taxation in respect of undistributed income and profits of the Company.

Prospective investors should ascertain from their professional advisers the consequences to them of acquiring, holding, converting and redeeming Shares of any class under the relevant laws of the jurisdiction to which they are subject, including the tax consequences and any exchange control requirements.

Accounts
The Company's financial year will end on 30th June in each year, commencing on 30th June 1981. The Company's statutory accounts will consist of a true and correct balance sheet expressed in United States dollars. However, for the convenience of shareholders, the annual report and accounts will be produced in respect of each Currency Fund in the currency in which each Currency Fund is designated.

Meetings
The annual general meeting of shareholders of the Company will be held in Guernsey. Notices convening the annual general meeting will be sent to shareholders together with the annual report and accounts. The Company, normally in August each year commencing in August, 1981 and in any event not later than 21 days before the date fixed for the meeting. In addition, so as to comply with Guernsey law, a shareholders' meeting will be held between three and six months after the date the Company shall have the right to commence business.

General Information

(Explanatory notes below have been prepared to assist them in the Articles of Association of the Company)

1. Share Prices and Terms Following the Initial Offer
Shares of each class may be provisionally allotted on any Dealing Day for settlement on a particular Settlement Day at a subscription price of US\$1.00 per share. The subscription price will be calculated by reference to the value of the net assets of the relevant Currency Fund as at the Settlement Day on the basis of information available at the time on that Dealing Day when the determination is being made (the value calculated in accordance with the Articles of Association of the Company) and the value of the net assets of the relevant Currency Fund as at the Settlement Day on the basis of information available at the time on that Dealing Day when the determination is being made (the value calculated in accordance with the Articles of Association of the Company) and the value of the net assets of the relevant Currency Fund as at the Settlement Day on the basis of information available at the time on that Dealing Day when the determination is being made (the value calculated in accordance with the Articles of Association of the Company).

Shares of each class may be redeemed on any Dealing Day for settlement on a particular Settlement Day at a redemption price of US\$1.00 per share. The redemption price will be calculated by reference to the value of the net assets of the relevant Currency Fund as at the Settlement Day on the basis of information available at the time on that Dealing Day when the determination is being made (the value calculated in accordance with the Articles of Association of the Company) and the value of the net assets of the relevant Currency Fund as at the Settlement Day on the basis of information available at the time on that Dealing Day when the determination is being made (the value calculated in accordance with the Articles of Association of the Company).

Shares of each class may be converted on any Dealing Day for settlement on a particular Settlement Day at a conversion price of US\$1.00 per share. The conversion price will be calculated by reference to the value of the net assets of the relevant Currency Fund as at the Settlement Day on the basis of information available at the time on that Dealing Day when the determination is being made (the value calculated in accordance with the Articles of Association of the Company) and the value of the net assets of the relevant Currency Fund as at the Settlement Day on the basis of information available at the time on that Dealing Day when the determination is being made (the value calculated in accordance with the Articles of Association of the Company).

It is intended that in normal circumstances the subscription and redemption prices of Shares of a particular class on a particular Dealing Day for settlement on a particular Settlement Day will be the same. In order to ensure fairness between shareholders, the Company reserves the right to adjust the subscription and redemption prices of Shares of a particular class on a particular Dealing Day for settlement on a particular Settlement Day if it is necessary to reflect investment premiums or discounts in respect of Shares of that class on that Dealing Day for settlement on that Settlement Day. For example, if in order to meet redemptions it is necessary to realise investments at a discount to their market value, the subscription price of Shares of that class on that Dealing Day for settlement on that Settlement Day will be higher than the redemption price of Shares of that class on that Dealing Day for settlement on that Settlement Day. For example, if in order to meet redemptions it is necessary to realise investments at a discount to their market value, the subscription price of Shares of that class on that Dealing Day for settlement on that Settlement Day will be higher than the redemption price of Shares of that class on that Dealing Day for settlement on that Settlement Day.

Shares will be provisionally allotted on terms that the applicant agrees to accept the determination of the Manager as to the value of the net assets of the relevant Currency Fund as at the Settlement Day on the basis of information available at the time on that Dealing Day when the determination is being made (the value calculated in accordance with the Articles of Association of the Company) and the value of the net assets of the relevant Currency Fund as at the Settlement Day on the basis of information available at the time on that Dealing Day when the determination is being made (the value calculated in accordance with the Articles of Association of the Company).

It is intended that the Company will be resident in Bermuda and be subject to an annual registration fee, currently of \$51,500. It is not expected that the Company will be subject to any tax in Bermuda. The Company has made enquiry in the countries in whose currencies the different classes of Shares are designated, on the basis of the information received and having regard to the manner in which the Company proposes to conduct its operations, considers that it should not incur any taxes in those countries in normal circumstances.

2. Conversion
The Manager may at its discretion pay commission to Investors' agents, without recourse to the Company. Such commissions will be calculated at 1/84 per cent per month of the month-end value of the Shares subscribed through the agent in question. Commission will normally be paid in the currency chosen by the agent concerned.

3. Redemption of Shares
Shares of each class may be redeemed on any Dealing Day by giving not less than seven days' notice by letter or in writing specifying the number and class of Shares to be redeemed and giving payment instructions for the redemption proceeds. Notice received after 10.00 a.m. on any day, or on a day which is not a business day in Guernsey, will be deemed to have been received on the next business day. Payment of the redemption proceeds may be made in any of the currencies listed above, either by transfer to the Shareholder's bank account or by cheque posted to the Shareholder at his registered address. The Share Certificate (with the redemption request on the reverse duly completed) must be received by the Company in Guernsey not later than 10.00 a.m. Guernsey time on the Dealing Day.

The price at which Shares are redeemed will be the price calculated on the Dealing Day except as detailed in the fifth paragraph of section 1 of General Information. Payment instructions for the redemption proceeds to be paid on the Settlement Day will be given by the Company to its bankers in Guernsey or the appropriate cheque will be posted to the Shareholder at his registered address. The Share Certificate (with the redemption request on the reverse duly completed) must be received by the Company in Guernsey not later than 10.00 a.m. on the intended Dealing Day if the Shares are to be redeemed until it is so received in which event the redemption price will be the price ruling for that subsequent Dealing Day and settlement will take place accordingly.

All Shares of each class not previously redeemed will be redeemed by the Company on 31st December, 2080 or, if that is not a Dealing Day, on the next following Dealing Day, at the respective redemption prices on such day for settlement on the relevant Settlement Day.

4. Conversion Between Classes of Shares
Shareholders have the right to convert all or part of their holdings of any one class of Shares into Shares of

another class or classes by giving notice in writing or telefax of their requirements. The same period of notice as for redemption will be required, followed by receipt by the Company of the old Share Certificate with the conversion request on the reverse duly completed.

Conversion may take place on any Dealing Day, subject to such notice, at a rate calculated by reference to the values of the Shares of the classes concerned on the appropriate Dealing Day (reasons being disregarded) after allowing for the costs of conversion between the appropriate Currency Funds.

The new Share Certificate will not be posted to the shareholder until the old Share Certificate with the conversion request duly completed, has been received by the Company, but the conversion will not be delayed as a result. The right to convert is dependent on the Company having sufficient available capital at the level which will normally be possible. The Manager will endeavour to procure that the available capital is at a level where this will normally be possible.

Further information is contained in section 2 of General Information.

Foreign Exchange Transactions
Where payments in respect of allotments or redemptions of Shares are to be made in a currency other than that in which the Shares concerned are designated, the necessary foreign exchange transactions will be arranged by the Company, normally with N. M. Rothschild & Sons (C.I.) Limited, on behalf of and for the account of the applicant or shareholder without responsibility as respects the Company.

Commission
The Manager may at its discretion pay commission to Investors' agents, without recourse to the Company. Such commissions will be calculated at 1/84 per cent per month of the month-end value of the Shares subscribed through the agent in question. Commission will normally be paid in the currency chosen by the agent concerned.

The Company
It is not expected that the Company will incur any tax in Guernsey other than Guernsey corporation tax, at present 33.33 per cent.

It is intended that the Company will be resident in Bermuda and be subject to an annual registration fee, currently of \$51,500. It is not expected that the Company will be subject to any tax in Bermuda. The Company has made enquiry in the countries in whose currencies the different classes of Shares are designated, on the basis of the information received and having regard to the manner in which the Company proposes to conduct its operations, considers that it should not incur any taxes in those countries in normal circumstances.

Shareholders
Shareholders are not subject to any tax in Guernsey in respect of any Shares owned by them. Shareholders are not subject to any tax in Bermuda with respect to Shares owned by them (except for shareholders domiciled in Bermuda).

Clearance has been obtained from the Board of Inland Revenue of the United Kingdom under Section 454 of the Income and Corporation Taxes Act 1970 that the provisions of Section 450 of that Act (cancellation of tax advantages from certain transactions in securities) will not apply to the issue or redemption of Shares of any class.

For persons resident or ordinarily resident in the United Kingdom for taxation purposes, conversion of Shares will be treated as a disposal for capital gains tax purposes.

The attention of individuals ordinarily resident in the United Kingdom is drawn to Section 478 of the Income and Corporation Taxes Act 1970. This introduces provisions for preventing avoidance of income tax by individuals by transactions resulting in the transfer of income to persons (including companies) abroad who may render them liable to taxation in respect of undistributed income and profits of the Company.

Prospective investors should ascertain from their professional advisers the consequences to them of acquiring, holding, converting and redeeming Shares of any class under the relevant laws of the jurisdiction to which they are subject, including the tax consequences and any exchange control requirements.

Accounts
The Company's financial year will end on 30th June in each year, commencing on 30th June 1981. The Company's statutory accounts will consist of a true and correct balance sheet expressed in United States dollars. However, for the convenience of shareholders, the annual report and accounts will be produced in respect of each Currency Fund in the currency in which each Currency Fund is designated.

Meetings
The annual general meeting of shareholders of the Company will be held in Guernsey. Notices convening the annual general meeting will be sent to shareholders together with the annual report and accounts. The Company, normally in August each year commencing in August, 1981 and in any event not later than 21 days before the date fixed for the meeting. In addition, so as to comply with Guernsey law, a shareholders' meeting will be held between three and six months after the date the Company shall have the right to commence business.

General Information

(Explanatory notes below have been prepared to assist them in the Articles of Association of the Company)

1. Share Prices and Terms Following the Initial Offer
Shares of each class may be provisionally allotted on any Dealing Day for settlement on a particular Settlement Day at a subscription price of US\$1.00 per share. The subscription price will be calculated by reference to the value of the net assets of the relevant Currency Fund as at the Settlement Day on the basis of information available at the time on that Dealing Day when the determination is being made (the value calculated in accordance with the Articles of Association of the Company) and the value of the net assets of the relevant Currency Fund as at the Settlement Day on the basis of information available at the time on that Dealing Day when the determination is being made (the value calculated in accordance with the Articles of Association of the Company).

Shares of each class may be redeemed on any Dealing Day for settlement on a particular Settlement Day at a redemption price of US\$1.00 per share. The redemption price will be calculated by reference to the value of the net assets of the relevant Currency Fund as at the Settlement Day on the basis of information available at the time on that Dealing Day when the determination is being made (the value calculated in accordance with the Articles of Association of the Company) and the value of the net assets of the relevant Currency Fund as at the Settlement Day on the basis of information available at the time on that Dealing Day when the determination is being made (the value calculated in accordance with the Articles of Association of the Company).

Shares of each class may be converted on any Dealing Day for settlement on a particular Settlement Day at a conversion price of US\$1.00 per share. The conversion price will be calculated by reference to the value of the net assets of the relevant Currency Fund as at the Settlement Day on the basis of information available at the time on that Dealing Day when the determination is being made (the value calculated in accordance with the Articles of Association of the Company) and the value of the net assets of the relevant Currency Fund as at the Settlement Day on the basis of information available at the time on that Dealing Day when the determination is being made (the value calculated in accordance with the Articles of Association of the Company).

It is intended that in normal circumstances the subscription and redemption prices of Shares of a particular class on a particular Dealing Day for settlement on a particular Settlement Day will be the same. In order to ensure fairness between shareholders, the Company reserves the right to adjust the subscription and redemption prices of Shares of a particular class on a particular Dealing Day for settlement on a particular Settlement Day if it is necessary to reflect investment premiums or discounts in respect of Shares of that class on that Dealing Day for settlement on that Settlement Day. For example, if in order to meet redemptions it is necessary to realise investments at a discount to their market value, the subscription price of Shares of that class on that Dealing Day for settlement on that Settlement Day will be higher than the redemption price of Shares of that class on that Dealing Day for settlement on that Settlement Day. For example, if in order to meet redemptions it is necessary to realise investments at a discount to their market value, the subscription price of Shares of that class on that Dealing Day for settlement on that Settlement Day will be higher than the redemption price of Shares of that class on that Dealing Day for settlement on that Settlement Day.

Shares will be provisionally allotted on terms that the applicant agrees to accept the determination of the Manager as to the value of the net assets of the relevant Currency Fund as at the Settlement Day on the basis of information available at the time on that Dealing Day when the determination is being made (the value calculated in accordance with the Articles of Association of the Company) and the value of the net assets of the relevant Currency Fund as at the Settlement Day on the basis of information available at the time on that Dealing Day when the determination is being made (the value calculated in accordance with the Articles of Association of the Company).

It is intended that the Company will be resident in Bermuda and be subject to an annual registration fee, currently of \$51,500. It is not expected that the Company will be subject to any tax in Bermuda. The Company has made enquiry in the countries in whose currencies the different classes of Shares are designated, on the basis of the information received and having regard to the manner in which the Company proposes to conduct its operations, considers that it should not incur any taxes in those countries in normal circumstances.

2. Conversion
The Manager may at its discretion pay commission to Investors' agents, without recourse to the Company. Such commissions will be calculated at 1/84 per cent per month of the month-end value of the Shares subscribed through the agent in question. Commission will normally be paid in the currency chosen by the agent concerned.

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another class or classes by giving notice in writing or telefax of their requirements. The same period of notice as for redemption will be required, followed by receipt by the Company of the old Share Certificate with the conversion request on the reverse duly completed.

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Further information is contained in section 2 of General Information.

ITALIAN TYRE INDUSTRY

Sales gains point to Pirelli recovery

By Rupert Cornwell in Rome

THE PROMISED recovery of Pirelli tyre and cable group has taken concrete form during the first five months of this year, according to Sig. Leopoldo Pirelli, head of the Pirelli SpA holding company.

Addressing the annual meeting, Sig. Pirelli said that sales of the group's tyre manufacturing division, financially hived off from the operating company, Industrie Pirelli, under the 1979 group restructuring plan, rose 39 per cent in the first five months of 1980, compared with the same period last year.

In the group's other two main

operating divisions, cable activities showed a 24 per cent growth in turnover during the same period, while sales of other diversified operations rose by 38 per cent.

Overall, sales of Industrie Pirelli climbed by 41 per cent between January and May 1980, a performance which augurs well for the achievement of the target of a balanced profit and loss account for the current year. Last year the company reported an operating loss of L18.5bn (\$22.3m), mainly because of the problems of its tyre division, compared with a deficit of L28.5bn in 1978.

Meanwhile, sales of SA Internazionale Pirelli, the Basle-based company which runs Pirelli's operation in third countries, rose 13 per cent over the same period. The main difficulty for the moment, Sig. Pirelli made clear, concerned the operations of the Dunlop group, the British partner in the Dunlop Pirelli union.

However, Pirelli's tyre fortunes in the coming months will largely depend on developments in the international, and particularly Italian, car markets. During the first half of this year the group's business has been underpinned by the strong

performance of the domestic car market where registrations of new vehicles climbed by 12 per cent from the corresponding period of 1978. But in the second half a downturn is universally expected, particularly in the home market which will inevitably heavily affect Fiat, one of Pirelli's main customers.

Meanwhile, Sig. Pirelli confirmed that negotiations were at an advanced stage for the acquisition of Alfa-Cavi, another Italian cables manufacturer, which will probably be paid for by an increase in Pirelli's capital.

Cycle sales restore Motobecane to profit

By Terry Dodsworth in Paris

THE DRACONIAN restructuring measures carried out last year by Motobecane, the French moped and bicycle company, has restored the company to profitability after two years of financial difficulties.

For 1979 a net profit of FFfr 8.6m (\$2.2m) has been achieved, compared with losses of FFfr 38.5m in 1978, and the company has continued to improve its position during the course of this year, lifting net profit to FFfr 20m for the first six months.

M. Jean-Claude Noblet, the chairman, has told shareholders that the outcome for 1980 should allow the group to absorb all the exceptional losses from two years ago, while enabling a reduction in its debts.

Turnover last year was FFfr 945m, against FFfr 852m in 1978. But the main reason for the company's recovery was the drastic reorganisation in which three of its seven plants were closed, and the workforce cut from 4,200 to 3,200. Motobecane said that its retrenchment measures resulted in a reduction of overhead costs last year to FFfr 91m, against FFfr 116m.

In the current year, the company says that turnover has gone up by 33 per cent during the first six months to FFfr 510m. The main reason for the improvement, says M. Noblet, was the expansion of bicycle sales.

Construction division lifts Coutinho Caro

By Kevin Done in Frankfurt

COUTINHO CARO, the Hamburg-based international metals merchant and plant constructor, enjoyed a successful year in 1979, pushing up group sales by 41 per cent to DM 2.5bn (\$1.5bn). Group pre-tax profits rose to DM 48m (\$27.5m) compared with DM 37m in 1978.

The higher turnover was especially influenced by the completion of a number of large construction projects around the world including a 600-bed hotel in the United Arab Emirates, a cement factory in Indonesia, a glass plant in Thailand and a cellulose plant in Korea.

Sales by the construction division increased by some 34.5 per cent last year to DM 390m. This still remains Coutinho Caro's smallest activity, however. Sales by the international trading division rose by 8 per cent last year to DM 1.5bn, while warehousing turnover increased by 8 per cent to DM 500m compared with DM 360m in 1978.

On the construction side Coutinho Caro is concentrating its marketing efforts on gaining new orders in particular market segments, such as hotels, hospitals and complete housing schemes. It has also opened a marketing office in Paris to strengthen efforts to obtain new orders in French-speaking areas of the world.

In its steel stockholding operations, Coutinho Caro handled some 1.8m tonnes of steel last year, and enjoyed a high level of profitability in the U.S. and in the UK.

In West Germany, however, its steel stockholding subsidiary Coutinho Eisenhandel operated at a loss and according to the company, "the situation in the German steel market continues to be critical in 1980."

Austro-Yugoslav bank

Three major Austrian and three Yugoslav banks have joined forces in setting up the first Austro-Yugoslav banking venture in Vienna. Writes Paul Lendvai in Vienna. The new bank, Adria Bank, will have a capital of Sch 80m (\$65m). The three Austrian banks each have a 32 per cent interest while the combined Yugoslav share amounts to 64 per cent. Adria will primarily help to finance bilateral trade, joint ventures and Austro-Yugoslav initiatives in Third World markets.

Krupp-Estel co-operation talks

By Roger Boyes in Bonn

KRUPP STAHL, the West German steel producer, has opened talks with Estel Hoesch, the Dutch-German steel concern, which could result in a series of co-operation agreements between the two arch-competitors.

This remarkable move is a clear sign that both producers are feeling the pressure from cheap overseas imports (from countries such as Italy) and from large, diversified steel groups, such as Thyssen. Both concerns have complained recently of rising energy, labour, and raw material costs, and both have called for greater rationalisation within the European steel industry.

The areas of co-operation currently being explored include potential joint ventures,

consultation about production overlap and long-term delivery arrangements.

Krupp, which has a highly efficient special steels arm, stresses that co-operation would not be in the refined steel sector. However, the collaboration could span most other sectors regulating production overlap in crude steel and steel-based manufacturing. Moreover, Dutch, as well as German plants, could be drawn into the agreement.

Both companies stressed yesterday that there would be no mutual capital involvement, and no question of price collaboration.

Nonetheless, the co-operation agreements could run the risk of falling foul of the European Commission (concerned that

competition was being undermined), the trade unions (fearful of possible job losses), and even possibly the Federal Cartel Office.

However, Krupp executives stress that the talks are in a preliminary stage and will need at least six months before reaching fruition—giving the companies plenty of opportunity to consult with both Brussels and the unions.

The move may mark a general drift to bilateral co-operation in the face of a continuing trough in steel demand. Thyssen and Mannesmann also have a co-operation accord, but Thyssen competes only in a few restricted sectors with Mannesmann, which has become largely a pipe, rather than steel, manufacturer.

RSV expects to move out of red

By Charles Batchelor in Amsterdam

RIJNSCHELDE-VEROLME yesterday said that the rising tide of brighter news emerging from the Dutch shipbuilding industry for forecasting a possible end to losses for 1980.

After several years in the red, the second half of 1980 is expected to see the group back to a profit. The hope at RSV is that this will prove sufficient to leave the group in a break-even position for the year as a whole.

RSV, the largest Dutch shipbuilding group, expects to move out of the red despite "continuing problems, which must be solved." It earlier reported reducing its after-tax loss to Fl 21.9m (\$11.5m) last year from Fl 59.7m in 1978 on sales which were 10 per cent lower at Fl 2.2bn (\$1.15bn).

The end of years of losses and restructuring now appeared

to be in sight, RSV said. It hoped that this would lead to an improvement in the morale of the workforce and a return to labour harmony within the company.

Uncertainty over the future has led to a worsening of labour relations over the past few years. RSV faces a compensation claim from the dredging group, Volker Stevin, for the late delivery of a Fl 160m dredging platform, which has been delayed by industrial actions.

New products which have been developed by RSV had begun to make a contribution to the overall result, the board said. The company recently won a Fl 800m order to deliver coal excavation machinery to a U.S. mining group, permitting the exploitation of hitherto uneconomic coal seams.

One of the problems facing

RSV is the difficulty of finding skilled labour, though it hopes to attract extra personnel from other large yards, where cutbacks are being carried out.

The future for RSV has brightened since it hived off its large shipbuilding and offshore construction activities, following the injection of several hundred million guilders of Government aid. The company has reduced its shipbuilding capacity—in terms of man-hours—to less than a sixth of 1977 levels and cutback repair capacity.

RSV is the third Dutch shipbuilding group to report a recent improvement in outlook. Van der Glesse-den Noord last week reported an upturn in orders and said it bought the worst of the shipbuilding recession was over. Another yard, IJG Holland, specialising in dredging equipment, earlier announced an upsurge of orders.

Optimism at Kugelfischer

By Our Financial Staff

WEST GERMAN ball bearings group, Kugelfischer, Georg Schaefer, expects a sharp expansion in domestic profit margins.

According to Herr Otto Schaefer, one of the owners of the family-controlled group, Kugelfischer's margins in Germany during 1980 were likely to widen to 5 per cent from the 2.7 per cent achieved in 1979.

In 1979, Kugelfischer increased worldwide sales by about 9 per cent to DM 1.9bn. Sales climbed by 12.3 per cent in the first half of 1980 to DM 1.1bn.

Kugelfischer's "well-filled" order books allowed management to expect pre-tax profit of the domestic group to increase markedly this year. Profit margin in 1978 was 1.4 per cent.

Nippon Carbon deal for Enka

WUPPERTAL — Enka AG, the West German arm of the Dutch Enka group, has concluded a deal with Nippon Carbon under which it immediately takes over all European sales operations of the Japanese company.

The Enka group combines all the chemical fibre operations of AKZO NV.

Reuter

All of these securities having been sold, this announcement appears as a matter of record only.

July, 1980

1,000,000 Shares



GENERAL DEFENSE CORPORATION

Common Stock

Shearson Loeb Rhoades Inc.

Bache Halsey Stuart Shields

Bear, Stearns & Co.

Blyth Eastman Paine Webber

Dillon, Read & Co. Inc.

Donaldson, Lufkin & Jenrette

Drexel Burnham Lambert

Goldman, Sachs & Co.

E. F. Hutton & Company Inc.

Lazard Frères & Co.

Lehman Brothers Kuhn Loeb

L. F. Rothschild, Unterberg, Towbin

Salomon Brothers

Smith Barney, Harris Upham & Co.

Warburg Paribas Becker

Wertheim & Co., Inc.

Dean Witter Reynolds Inc.

The English Association of American Bond and Share Holders, Limited

Utico International Limited

مكازم الأعمال

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CITICORP INTERNATIONAL FINANCE S.A.

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BANCA UNIONE DI CREDITO

BANK HEUSSER & CIE AG

BANK LANDAU & KIMCHÉ AG

BANKINVEST

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May 1980



Cervecería Polar del Centro, C.A.
CARACAS, VENEZUELA

\$60,000,000 medium-term loan

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June 1980

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Boral plans expansion of brick-making activities

BY JAMES FORTH IN SYDNEY

BORAL, the diversified industrial group yesterday announced plans for a \$27m (U.S.\$31m) expansion of its brick-making activities. Boral has acquired two brickworks in New South Wales, and plans to expand its brick output in Queensland.

It has bought the entire capital of Pacific Brick, which operates one of the newest and most modern brick plants in Australia, capable of producing 60m bricks a year. Pacific Brick was owned 85.5 per cent by Broken Hill Proprietary and 14.5 per cent by a group of Sydney businessmen.

Boral has also acquired Albury Brick, which operates a plant with a capacity of 30m bricks a year in the New South Wales town of Albury. The brick plant was formerly owned by the finance company, Australian Guarantee Corporation.

Beth operations have been running only a short time and

have incurred losses, but both are now near break-even. The Pacific plant cost \$15m to build and has accumulated losses of almost \$8m.

The two purchases cost Boral about \$18m. In addition, it will also spend \$8m to \$9m in expanding production of its Queensland operation, Britains Bricks from 85m bricks a year to 120m.

THE AUSTRALIAN Government has raised the interest rate on its "household bond," the Australian Savings Bond, to 10.25 per cent, but it is still well below official rates for other Commonwealth bonds and semi-Government stock.

The increase is designed to

staunch the flow from ASBs—

which has led to a net redemption—rather than to attract a

heavy inflow from other areas, such as building societies and finance companies. The Government needs to sell more bonds to rein back on the money supply growth which has recently expanded from the target of about 10 per cent to around 12 per cent.

The ASB move has resulted in some flow-on adjustments. The two largest savings banks, the Commonwealth Savings Bank and the Bank of New South Wales Savings Bank yesterday lifted interest rates on their investment accounts by 0.5 per cent to 9 per cent.

At the same time, the semi-Government authority, the Electricity Commission of New South Wales, reduced its pending loan by \$10m to \$165m, a precautionary move in case the ASB increase siphoned off funds. However, it is still the largest amount sought by a state government authority. Only the federal body, Telecom, has raised more.

Sharp rise in exports boosts Iseki

By Yoke Shibata in Tokyo

ISEKI and Company, Japan's third largest agricultural machinery manufacturer, improved sales and operating profits for the half-year ended May, with higher sales of tractors and vigorous exports. Operating profits rose by 23 per cent to ¥517m (\$24.3m) on sales of ¥53.75m (\$24.4m).

The strength in sales resulted from 44 per cent advance in exports (centering on tractors) to ¥6.6m.

Inventory adjustments and rationalisation measures absorbed the interest payment burden, so accounting for the improvement in operating profits. Net profits were reduced to ¥102m from ¥311m in the previous comparable period—

which included profits from the sales of assets. Profits per share were ¥0.63, compared with ¥2.00 a year earlier.

In the current half-year ending November the company expects a rise in demand for combine harvesters and to bring about an expansion in sales by marketing new types of tractors.

Full year sales are forecast at ¥117bn, up 12.7 per cent over 1978-79. Better sales of harvesters, with high profitability, and an increase in selling prices from this month (up 4.5 per cent on average) are expected to lift operating profits by 19 per cent to ¥1.9bn. Net profits are expected to stay at the 1978-79 level of ¥1.2bn.

Mitsubishi Bank expands in California

TOKYO—Mitsubishi Bank of California, the Los Angeles-based wholly-owned subsidiary of Japan's Mitsubishi Bank, is to take over a California bank, probably early next year.

Mitsubishi said an unofficial agreement has already been reached for the takeover of First National Bank of San Diego county. Under the agreement, Mitsubishi Bank of California will acquire all the 1.56m shares of First National Bank for \$17 a share. The total acquisition will amount to about \$26.52m.

Mitsubishi Bank is seeking approval from the Japanese Finance Ministry, the U.S. Federal Government, and the State of California, and hopes to complete all the necessary arrangements by the end of March.

Mitsubishi Bank of California now owns 10 branches in the state and two more are scheduled to open in the near future. It has total deposits of \$250m and is ranked 28th among California banks. The acquisition of First National Bank will lift Mitsubishi Bank of California to 22nd among financial institutions in the state in terms of the size of deposits.

AP-DJ

COMMERCIAL VEHICLES

Telco sees the fruit of investment

BY R. C. MURTHY IN BOMBAY

TATA ENGINEERING and Locomotive Company (Telco) hopes to reap the full fruits of its investment in its second commercial vehicle factory at Pune in the Western State of Maharashtra in the current year, Mr. S. Moolgaokar, the company's chairman, says. The first unit is located at Jamshedpur in Bihar. In view of the prospect of improved profitability, and with an eye on boosting the market quotation of the company's equity shares, on the eve of flotation of a convertible bond issue, Telco has raised its dividend to 20 per cent for the year to March from

16 per cent for 1978-79. In all, Telco has budgeted to raise Rs 47.5m (around \$60m) by the issue of seven-year bonds at 11 per cent interest. These bonds provide for converting part of the value into equity shares. The first phase of the bond issue was completed three months ago, with the offering to the public of bonds worth Rs 114.6m, and to Daimler-Benz of West Germany—with the collaboration of which Telco vehicle production first started—of Rs 65.0m of bonds. In the second phase, Rs 29.2m of bonds are to be offered to the public and Telco shareholders.

The increase in dividend comes against the background of reduced profit margins in 1979-80. Sales rose by 19.88 per cent to Rs 4.55bn (\$585m), from Rs 3.79bn in the previous year. Profits before tax (but after provision for depreciation), however, rose by only 16.38 per cent to Rs 176.2m (\$22m), from Rs 151.4m.

Sales rose despite a decline in vehicle production to 30,232 units, from 32,015. Besides the rise in the chassis price to offset a rise in production costs, revenues from the spare parts, the sales of which doubled to Rs 438m, contributed to the

higher turnover. In 1978-79, chassis production was down because of a power shortage and strikes in some component suppliers' factories.

The company has received the Government's permission to expand capacity from the present 36,000 to 56,000 vehicles. This is to be implemented in two stages, the first of which is to be completed by 1982, raising the capacity to 44,000 units.

The second phase is expected to be completed by 1984. Telco has secured foreign currency loans equivalent to Rs 53.1m from term financial institutions to implement the expansion.

PETROCHEMICALS

Polyolefin in U.S.\$215m downstream plan

BY GEORGIE LEE IN SINGAPORE

THE NEWLY incorporated Polyolefin Company (Singapore) Pte. is to invest some \$2450m (U.S.\$215m) in two downstream plants in Singapore's \$22bn petrochemical project.

This was disclosed by senior officials at a ceremony to mark the formation of the \$2120m company and the ground breaking of the site of the Petrochemical Corporation of Singapore (PCS).

One plant will produce 120,000 tonnes of low density polyethylene and the other will produce 100,000 tonnes of polypropylene.

The plants will be constructed by Hitachi and Sumitomo Chemical Engineering, together with Kobe Steel.

Polyolefin Company (Singapore) is a joint venture between the Singapore Government and five Japanese companies headed by Sumitomo Chemicals.

The ground breaking ceremony marks the commencement of construction of PCS's \$81bn upstream naphtha cracker and ethylene plant. PCS is also a joint venture, between the Singapore Government, Sumitomo Chemical and several other Japanese companies.

Another downstream company, Phillips Petroleum Singapore Chemicals (PPSC), has been formed to establish the high density polyethylene plant.

PPSC which has a capital of \$310m is owned to 80 per cent by Phillips Petroleum of the U.S., 30 per cent by the

Singapore Government, and 10 per cent by Sumitomo Chemicals.

PPSC's \$200m plant will have an annual capacity of 80,000 tonnes.

Another downstream company—a joint venture between Singapore Government, Shell International Chemical of the UK, Mitsubishi Petrochemical, Mitsu Petrochemical Industries, Nippon Shokubai, Kake Company, and Mitsui Petrochemical Industries—is expected to be set up soon to take charge of the ethylene glycol and ethylene oxide plant.

Other downstream plants envisaged under the first phase are for production of vinyl chloride monomer, acetylene, black and 2-ethyl hexanol.

The entire petrochemical project is located in one of Singapore's offshore islands, Pulau Ayer Merbau. Both the naphtha cracker and ethylene plant are the first phase downstream plants are expected to come on stream in mid-1982.

Feedstock for the petrochemical project will come from oil refineries in Singapore. Mr. Han Sui Sen, the Singapore Finance Minister, disclosed the ceremony that two refineries, Esso and Shell, had agreed to supply feedstock to PCS.

Esso will supply naphtha, and Shell will supply naphtha as well as liquefied petroleum gas. The total naphtha feedstock required is estimated at 1m tonnes or 7m barrels annually.

NOTICE OF REDEMPTION

To the Holders of

Honeywell International Finance Company S.A.

6% Guaranteed Sinking Fund Debentures Due 1981

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of February 15, 1966 providing for the above Debentures, \$800,000 principal amount of said Debentures bearing the following serial numbers have been selected for redemption on August 15, 1980, through operation of the Sinking Fund, at the redemption price of 100% of the principal amount thereof, together with accrued interest thereon to said date:

Outstanding Debentures of U.S. \$1,000 Each of Prefix "M" Bearing the Distinctive Numbers Ending in any of the Following Two Digits:

00	02	08	14	20	26	32	38	44	50	56	62	68	74	80	86	92	98
01	03	09	15	21	27	33	39	45	51	57	63	69	75	81	87	93	99

Also Outstanding Debentures of U.S. \$1,000 Each of Prefix "M" Bearing the Following Numbers:

1	1537	7837	11037
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On August 15, 1980 the Debentures designated above will become due and payable in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts. Said Debentures will be paid, upon presentation and surrender thereof with all coupons appertaining thereto maturing after the redemption date, at the option of the holder either (a) at the corporate trust office of Morgan Guaranty Trust Company of New York, 30 West Broadway, 13th floor, New York, New York 10015, or (b) at the main offices of Morgan Guaranty Trust Company of New York in London, Brussels, Paris or Frankfurt; Amsterdam-Rotterdam Bank N.V. in Amsterdam; Banca Commerciale Italiana in Milan; or Banque Internationale de Luxembourg S.A. in Luxembourg. Payments at the offices referred to in (b) above will be made by check drawn on a bank in New York City or by a transfer to a dollar account maintained by the payee with a bank in New York City.

Coupons due August 15, 1980 should be detached from the Debentures and presented for payment in the usual manner.

On and after August 15, 1980 interest shall cease to accrue on the Debentures selected for redemption.

HONEYWELL INTERNATIONAL FINANCE COMPANY S.A.

By: MORGAN GUARANTY TRUST COMPANY OF NEW YORK, Trustee

Dated: July 15, 1980

NOTICE

The following Debentures previously called for redemption have not as yet been presented for payment:

DEBENTURES OF U.S. \$1,000 EACH

24-1774	1791	1848	3516	3767	3794	3963	4283	5325	6980	7424	7687	8876	9280	10604	12234
1776	1804	3392	3512	3776	3795	3965	4286	6015	7688	7432	7688	8215	9465	10912	13118
1778	1807	3398	3521	3780	3797	3966	4289	6021	7692	7437	7690	8212	9468	10914	13120
1780	1809	3397	3596	3789	3963	3973	4281	6033	7693	7435	7693	8221	9475	10916	13122
1782	1841	3409	3698	3791	3918	4118	5323	6568	7264	7438	8973	9223	10608	12162	14641
1786	1847	3515	3765	3792	3911	4170	5324	6569	7433	7504	8975	9224	10610	12222	15036

This announcement appears as a matter of record only.

\$100,000,000

Chesebrough-Pond's Inc.

10% Notes due July 15, 1990

Lehman Brothers Kuhn Loeb
Incorporated

Morgan Stanley & Co.
Incorporated

The First Boston Corporation

Kidder, Peabody & Co.
Incorporated

Merrill Lynch White Weld Capital Markets Group
Merrill Lynch, Pierce, Fenner & Smith Incorporated

Salomon Brothers

Bache Halsey Stuart Shields
Incorporated

Bear, Stearns & Co.

Blyth Eastman Paine Webber
Incorporated

Dillon, Read & Co. Inc.

Donaldson, Lufkin & Jenrette
Securities Corporation

Drexel Burnham Lambert
Incorporated

E.F. Hutton & Company Inc.

Lazard Frères & Co.

L.F. Rothschild, Unterberg, Towbin

Shearson Loeb Rhoades Inc.

Smith Barney, Harris Upham & Co.
Incorporated

Warburg Paribas Becker
A.G. Becker

Wertheim & Co., Inc.

Dean Witter Reynolds Inc.

July 16, 1980

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

NEW ISSUE

17th July, 1980



OKUMA MACHINERY WORKS LTD.

Issue of

8,400,000 Shares of Common Stock

(par value ¥50 per share)

evidenced by European Depositary Receipts

ISSUE PRICE U.S. \$2.772 PER SHARE

(equivalent, at the rate of exchange adopted for the purpose, to ¥603 per share)

Nomura Europe N.V.

Morgan Grenfell & Co. Limited

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CURRENCIES, MONEY and GOLD

Sterling firm

Sterling maintained its recent firm trend, while the dollar was generally soft in quiet foreign exchange trading yesterday. The pound's trade-weighted index, as calculated by the Bank of England, rose 0.42, from 74.6, the highest level since May 27, after opening at 74.6 and easing to 74.5 at noon. Sterling began the day at 74.72, rose to 74.74, and fell to 74.72, before recovering to 74.74 by midday. In the afternoon the pound touched a peak of 74.78, and closed at 74.78, a rise of 0.06 points on the day.

Indications of an easing of Federal Reserve monetary policy, and the further cut in U.S. bank prime rates, contributed to the dollar's weakness, but there may have been some support by the U.S. authorities. The dollar fell to DM 1.7415 from DM 1.7470 against the mark, and to SwFr 1.6020 from SwFr 1.6110 in terms of the Swiss franc. On the other hand, speculation about a possible cut in Japan's discount rate from 9 per cent may have depressed the yen, with the dollar rising slightly to Y220.30 from Y220.20.

The Bank of England figures for the dollar's index fell to 83.1 from 83.2. The dollar was slightly weaker within the European Monetary System recently, but showing a firmer trend against the dollar following a sharp rise in interest rate differentials. The D-Mark remained grouped against the dollar, sterling and Japanese yen at the Frankfurt fixing, but showed mixed changes against EMS currencies. The Irish punt eased to SDR 2.730 from DM 3.750, and the French franc rose to DM 1.7475 from DM 1.7470, while the Italian lira rose to DM 1.7475 from DM 1.7470.

THE POUND SPOT AND FORWARD

July 21	Day's spread	Close	One month	%	Three months	%
U.S.	2.3720-2.3812	2.3800-2.3910	1.77-1.76 pm	0.67	3.85-3.75 pm	0.58
Canada	2.7800-2.7900	2.7900-2.8000	1.80-1.81 pm	0.70	3.90-3.80 pm	0.60
Northing	4.51-4.55	4.53-4.54	1.82-1.83 pm	0.68	3.95-3.85 pm	0.62
Belgium	16.10-16.20	16.15-16.25	1.83-1.84 pm	0.69	4.00-3.90 pm	0.63
Denmark	1.7400-1.7500	1.7450-1.7550	1.84-1.85 pm	0.70	4.05-3.95 pm	0.64
Ireland	1.1000-1.1050	1.1035-1.1045	1.03-1.04 pm-per	0.16	0.17-0.12 pm	0.22
W. Ger.	4.12-4.12	4.14-4.15	3.24-3.24 pm	0.32	7.94-7.94 pm	0.53
France	115.00-115.10	115.00-115.10	1.85-1.86 pm	0.71	4.10-4.00 pm	0.65
Spain	16.10-16.20	16.20-16.20	1.83-1.83 pm	0.69	4.00-3.90 pm	0.63
Italy	1.88-1.89	1.88-1.89	1.83-1.83 pm	0.69	4.00-3.90 pm	0.63
Japan	1.88-1.89	1.87-1.87	1.83-1.83 pm	0.69	4.00-3.90 pm	0.63
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Netherlands	1.88-1.89	1.87-1.87	1.83-1.83 pm	0.69	4.00-3.90 pm	0.63
Portugal	1.88-1.89	1.87-1.87	1.83-1.83 pm	0.69	4.00-3.90 pm	0.63
Greece	1.88-1.89	1.87-1.87	1.83-1.83 pm	0.69	4.00-3.90 pm	0.63
Belgium	1.88-1.89	1.87-1.87	1.83-1.83 pm	0.69	4.00-3.90 pm	0.63
France	1.88-1.89	1.87-1.87	1.83-1.83 pm	0.69	4.00-3.90 pm	0.63
Germany	1.88-1.89	1.87-1.87	1.83-1.83 pm	0.69	4.00-3.90 pm	0.63
Italy	1.88-1.89	1.87-1.87	1.83-1.83 pm	0.69	4.00-3.90 pm	0.63
Japan	1.88-1.89	1.87-1.87	1.83-1.83 pm	0.69	4.00-3.90 pm	0.63
Spain	1.88-1.89	1.87-1.87	1.83-1.83 pm	0.69	4.00-3.90 pm	0.63
Switzerland	1.88-1.89	1.87-1.87	1.83-1.83 pm	0.69	4.00-3.90 pm	0.63
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Spain	1.88-1.89	1.87-1.87	1.83-1.83 pm	0.69	4.00-3.90 pm	0.63
Switzerland	1.88-1.89</					

JOBS COLUMN

Portrait of the rising star of industry

BY MICHAEL DIXON

TIME WAS when adults seemed to expect that all small boys wanted to be engine drivers, and every little girl a nurse. So there was usually a pause in the conversation after I answered the kindly, and usually stout ladies and gentlemen who asked about my career aspirations.

Up to 1938 my reply was "veterinary surgeon." But then, after watching cinema newsreels of Neville Chamberlain being cheered for just flying off in an aeroplane and coming back with a hit of paper, I decided to become a prime minister instead.

But neither reply nonplussed my questioners for more than a couple of seconds, after which they had no difficulty in talking intelligently about my choice. They, like almost everyone else, knew what vets and premiers did, and had a fair idea of what sort of people they were.

How many adults today could engage in similarly sensible discussion with a little horror when wanted to become a "new technologist"?

Not very many, I'd wager, even though there could be few wiser choices for the foreseeable future than a career based on expert understanding of the hardware and software of electronics or the still more advanced technologies. I would

wager also that, asked to picture mentally a typical new technologist, most of us would share a similar vision. It is of someone incapable of explaining to a layman what the work involves: a tense, serious person, shy almost to the point of awkwardness, with a head too full of figures and formulae to accommodate many intelligible words.

Whether or not consultant psychologist Dawn Adams also shared this vision, I do not know. But last October she started to try to find out what the typical new technologist was really like, by studying candidates for relevant specialist and managerial jobs being offered through Cambridge Recruitment Consultants.

'Fleshware'

During the following six months, she gathered information on 132 such people from their applications, their results in tests of personality and of reasoning ability, and their interviews. And although she emphasises that the study was far from exhaustive, it has at least provided a "tentative picture of some of the people who perform critical technical functions in those industries on which Britain's future may depend." Since the Jobs Column is inevitably limited to describing only the main features of this picture, how-

ever, readers professionally concerned with the new technologist had better know that the full report can be obtained for £12.50 from the consultancy at 1a Rose Crescent, Cambridge CB2 3LL.

For a start, the job-seeking "fleshware" of high technology still seems overwhelmingly male. Only one of the 132 candidates was a woman. Four of the total were aged less than 25 and six were over 50 with the rest between, giving a median age of 33 and an average age of 34 years and seven months. Five in every six were married, mostly with more than one child still in education, although one in every five of the whole sample was married but had no children.

Three quarters had degrees, 16 at doctorate level, 16 at master's, and 67 at bachelor's. Of the non-graduate quarter, a dozen had a Higher National qualification.

Non-graduates accounted for four of the six with a current salary of £15,000-plus, and for five of the 11 receiving £13,000-plus. When broken down into average groups, the average salaries were: £6,250 under 25; £7,080 at 25-29; £9,990 at 30-34; £10,350 at 35-39; £10,880 at 40-44; £10,360 at 45-49; and £14,125 at 50 and over.

The salaries they were seeking ranged from £20,000 in one case to £6,000-plus in five cases, giving a median figure sought of

£10,000 and an average of £10,693. In general they were disinclined to accept a post without an increase of less than £1,000 to £1,500, even though one in five admitted being required to make a change through redundancy or some other external circumstance. The average length of service with their current employer was almost five years; the average length of time in their present position was 2½ years.

I apologise for trotting out so many numbers, but it seemed essential to describe the statistical skeleton underlying Dawn Adams' sketch of what the new technologist is like as a personality.

It turns out that anyone who imagines him to be the anxious inarticulate introvert whom I depicted earlier, could hardly be more mistaken. By comparison with the average person of the same age range, Ms. Adams said, the candidates were "considerably more sociable and outgoing, indeed they seemed rather jolly." Far from being anxious, they were also calmer, and a good deal more self-assured and unusually willing to express their ideas and opinions in public, particularly against criticism.

By comparison with students taking degrees in science and technology, the new technologists were considerably less content with work of the hack-room sort. "They like to work

with lots of people around them," Dawn Adams added, "and they have a very strong preference for tackling practical problems that require a practical solution inside a practical period of time."

Even so, the candidates seemed if anything more at home than the students with theoretical and abstract questions, and distinctly brighter in the sense of being quick to grasp new ideas. As for being inarticulate, the results of the test of verbal-reasoning ability showed the candidates to be generally more fluent with words, not only than students taking science-side degrees, but also than arts graduates and middle-managers selected by their superiors as having high executive potential.

Ingenuous

In short, the study suggests that the job-seeking new technologist has much in common with what would probably be most people's image of "the man most likely to succeed." But there was one snag. Ms. Adams said. The candidates tended to go beyond being sociable to the point of being somewhat ingenuous in their dealings with their fellow managers. "They're not your Machiavelli; you could hardly call them political animals at all. I wonder whether that has something to do with engineer-

ing-type departments being largely given a lower status than other functions in industry as a whole?"

The half dozen recruitment managers from high-technology companies who listened to her report on the study at a seminar in London the other day, made no attempt to answer that question. But when she also asked where the new technologists acquired their—to her and me, at least—surprising social confidence, competitiveness and verbal fluency, several of the company managers had a ready reply.

It came from possessing skills that were in great and increasing demand, they said. Even the 20 per cent of the candidates who were losing their present job, had little or nothing to worry about.

"Only the other week I heard that an electronics plant down the road was going to shut," explained one recruiter. "So I rang up straight away and said I'd be happy to see any qualified staff who were looking for a job. They said, well, they'd put me on the list, but several other companies were already ahead of me. So you can see that demand for electronics engineers and the like in this country is so high that redundancy needn't mean anything worse than a chance to draw a lump sum in compensation before moving on to your next employer."

Porvair managing director change

Mr. Joe Clegg has been appointed managing director of PORVAIR. He was previously deputy managing director and succeeds Mr. Walter O'Keefe, who is returning to the U.S. to take up a senior position with Inmont Corporation, the parent company, in which he will be responsible directly to the company's president. Mr. O'Keefe will remain on the Porvair Board.

Mr. A. W. Howitt, senior executive partner of PEAT MARWICK MITCHELL AND CO., has been elected chairman of the Board of BCC HOLDINGS (LUXEMBOURG) for the year 1980-81. His Wardens will be Lord Newall, Mr. P. M. Woolley, Mr. Deputy M. H. Oram and Mr. J. R. Ferring. His Chaplain is Lord Cogan, the former Archbishop of Canterbury. Mr. Howitt is a past president of the Institute of Cost and Management Accountants and a former chairman of the Management Consultants Association.

Mr. Alec H. King has been appointed vice-chairman of the CAKE AND BISCUIT ALLIANCE. He is a director of the Biscuits with special responsibility for trade association affairs on November 1.

Mr. P. J. T. Herbert has been appointed chairman of the ABERDEEN GROUP following the death of Mr. Donald Ord. Mr. Herbert continues as chief executive. Mr. G. F. Buckley has become deputy chairman.

Mr. Mac Bruckhorst will retire as managing director of ANZ BANKING GROUP on October 31. He will also retire on that date as a director of the bank, as chairman of its main subsidiaries and, in consequence, from all directorships associated with his banking involvements.

Mr. William W. Bilhoro has been elected president of AMAX IRON ORE CORPORATION, replacing Mr. Edwin E. Smith who will take over the responsibilities of chairman of the executive committee. Mr. Bilhoro remains president of Amax Mineral Sales Corporation and Amax Pacific Sales Corporation. The three companies are subsidiaries of Amax Inc. and units of the industrial minerals and resources group.

Mr. Tim King has been appointed chairman of VELCOURT in succession to Mr. J. Rhys Thomas, who has retired.

GNN STEELSTOCK has made changes in Board duties following the retirement of Mr. Jack Wells. Mr. Tom Baxter-Wright adds purchasing responsibility to marketing, and hands over control of sales to Mr. John Price, who continues as product

group director, flat rolled steels. Mr. Norman Richards remains chairman and chief executive. Mr. Walter Dean, as controller, and Mr. Ted Evans as product director, general steels.

CSE has appointed Mr. John Cook as general manager of BUCHANAN BOREHOLE COLLIERIES PTY. He was previously with Atlas Cope Australia as national sales manager.

Mr. I. P. M. Gargill, formerly senior vice-president and vice president finance, the World Bank, Washington, has been appointed to the Board of BCC HOLDINGS (LUXEMBOURG). He will also act as an adviser to the Bank of Credit and Commerce International Group which has offices in 41 countries. Mr. Gargill was with World Bank for more than 20 years and retired last week.

Mr. R. R. Rodman, chief accountant of BUTTERICK FASHION MARKETING COMPANY (UK), has joined the Board as financial director.

Dr. David Grant has been appointed technical director of the EQUIPMENT, a subsidiary of the United Technologies Corporation of America.

Mr. Robin Ahlstrom, Mr. Christopher Barrett, Mr. Andrew Preece, Mr. David Woodward and Mr. John Wolfenden have been appointed assistant general managers of SCANDINAVIAN BANK.

Mr. W. J. Stuart has been appointed a director of WIGT HOLDINGS with special responsibility for development activities. Mr. Stuart is a chartered engineer and a Master of Engineering of Glasgow University.

GODWINS, employee benefit and personal financial planning consultants, has made the following group changes.

Mr. Tim Mitchell has been appointed director of corporate client policy, and Mr. Peter Wilson, director of private client policy, Mr. Stuart Elliot has been made managing director, Godwins (Central); Mr. Bernard Jones, managing director, Godwins (North); Mr. John Porter, deputy managing director, Godwins (Central Services); Mr. Bill Gill, director, Godwins (Central); Mr. David Golder, director of Godwins (Central); and Mr. David Major, director of Godwins (Overseas).

Mr. Stephen J. Smith has been appointed engineering director of P. D. (TECHNICAL MOULDINGS).

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New Business Executives

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A member of the Grindlays Bank Group, Atlas Hire Purchase Limited, is establishing new offices in the Leeds and East Midlands areas, and extending operations in its London office. The Company provides financing mainly for capital intensive projects such as plant and machinery, commercial vehicles and car fleets. These appointments arise as a consequence of a planned expansion programme.

Executives will have profit centre responsibility for the establishment and development of business areas in which they operate. Candidates should, therefore, have wide contacts at senior level, be self-starters and have had a highly successful career to-date in a new business capacity with a national Finance House. They should preferably be professionally qualified in either accountancy or banking and must be able to introduce substantial good quality non-consumer hire purchase business.

The salary will be very attractive to candidates already earning in excess of £8,000 p.a. A company car will be provided. Additional benefits include subsidised mortgage facilities and non-contributory pension schemes. Prospects are excellent.

All applications should give details of age, education, past experience, present salary and be addressed to:

Anne Evans, Manager U.K. Appointments, Grindlays Bank Limited, 36 Fenchurch Street, London EC3P 3AS. Tel: 01-626 0545.

Atlas Hire Purchase Ltd.

CONTRACTS AND TENDERS

PEOPLE'S DEMOCRATIC REPUBLIC OF YEMEN

Prequalification to Tender for Completion of the Construction of Al-Mukalla Harbour

The Port of Aden Authority of the People's Democratic Republic of Yemen invites experienced contractors to apply to be qualified to submit Tenders for the completion of construction and maintenance of Al-Mukalla Harbour. The works have been partially completed (about 25 per cent) by a contractor (now in liquidation) and taking over existing work (both permanent and temporary), equipment and materials will form part of the contract.

The whole of the works comprises, but is not necessarily limited to, the following:

—Taking over permanent and temporary works, equipment and materials provided by a contractor (now in liquidation) the legal ownership of which is entirely vested in the employer.

—Completion of the wave protection works of the harbour; two quay walls for the berthing of general cargo ships of up to 10,000 d.w.t. one 175 m. long and 10 m. depth of water, known as Berth No. 1, and the other 170 m. long and 10 m. depth of water, known as Berth No. 2; a shallow water quay 185 m. long for berthing fishing vessels up to 200 tonnes capacity, known as Fishing Quay; related dredging of quay wall trenches and the harbour basin; reclamation of the on-shore areas behind Berth No. 2 and the Fishing Quay; and outlets and ducts for various services to quays. In addition to the above the employer invites contractors to include in their Tenders for certain optional works identified in the Tender Documents.

—The works described are a part of the overall harbour works being or to be executed by others consequently time is of essence.

—Completion is required as follows:

Section 1.—194 days—Fishing Quay and other related works.

Section 2.—318 days—Civil works to area of 65ha of plant, waste water pump station, storage tanks and weighbridge (provisional works).

Completion—638 days—Total harbour works.

Contractors interested in submitting Tenders are invited to collect the Documentation for Prequalification from the offices of:

Yemen Ports Authority, Aden, People's Democratic Republic of Yemen, or

Dar Al-Handasah Consultants (Shair and Partners) UK Ltd.

91 New Cavendish Street, London, W1, United Kingdom

Telex: 27187 Darsah G Telephone: 01-637 8622

and return it in two copies, one to each of the above addresses, duly completed and signed not later than 30th August, 1980. Only contractors who have been qualified will receive an invitation to Tender.

EUROPEAN OPTIONS EXCHANGE

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NAT P	F.120	13	2.70						F.117.50
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OLIE P	F.180	25	3.10						F.175.00
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20 Senior Appointments

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ACCOUNTANCY PERSONNEL SENIOR APPOINTMENTS

FINANCIAL TIMES SURVEY

Tuesday July 22 1980

Bahamas

Seven years after independence, the Government of Mr. Lynden Pindling looks politically stronger than ever. But the country's economy remains tied overwhelmingly to the fortunes of its tourist industry while in Nassau, high unemployment and other social problems are causing concern.

Progress—but slower than expected

By Ian Hargreaves

THIS MONTH the independent Commonwealth of the Bahamas celebrated its seventh birthday with the man who led the country to independence from Britain, Mr. Lynden Pindling, in an apparently unassailable position as Prime Minister.

Even his opponents expect him to strengthen his Progressive Liberal parliamentary position in the next general election, which must be held within the next two years. Mr. Pindling himself says he expects to add two more seats to the 30 his party already controls, reducing a fragmented opposition from eight to six members.

Whatever the undoubted achievements of one of the most stable democratically elected governments of the region, the fact that the electoral popularity of the PLP continues to grow is in many respects remarkable.

The Prime Minister has been promising full employment ever since he came to power—there was over employment in 1970 before independence—but today unemployment in the

ribbon of islands stretching 700 miles from the U.S. West Coast could be as high as 30 per cent. The Government does not publish statistics, but even Mr. Pindling's own estimates put the rate at 23 per cent for the under 25s.

Add to this record inflation of 13 per cent, in spite of price controls, progressive decline in real income for a large slice of the working population as wages have lagged behind inflation for several years, and a nasty wave of violent crime on New Providence Island, where 60 per cent of the population lives, and the popularity of the Government may be judged even more remarkable.

No cataclysm

Mr. Pindling, of course, attributes his party's electoral popularity, recently confirmed in a by-election, to the progress made under his Government's programmes. There has indeed been progress.

The important nationalistic goal of Bahamianisation—placing local citizens in jobs formerly occupied by expatriates—has sped ahead without the predicted cataclysmic effects upon the

economy. Tourism, which accounts for three quarters of economic activity, is booming as never before. Although inflation is high, it is moderate by international comparison and a conservative fiscal regime has ensured a string of balance of payments surpluses and the absence of wild swings in interest rates.

The international financial sector, which uses Nassau as an offshore banking centre for billions of dollars of Euro-currency transactions, is still getting bigger, with a recent influx of Swiss interest. A start has been made on reducing the country's reliance upon imported foods.

And by all diplomatic accounts the Government acquitted itself well in the recent, highly provocative incident in its waters when a Bahamian vessel was sunk by Cuban jets and the population of one of the country's 29 inhabited islands were subjected to a day of terror as the planes simulated attack runs over local inhabitants.

This aside, however, it is evident that much of the PLP's electoral strength stems from the weakness of the ramshackle Opposition which consists primarily of the splinters of the former Free

National Movement Party. Mr. Norman Solomon, the present Leader of the Opposition and owner of a Nassau dress shop, accepts bluntly that his own white skin precludes him from political power. His goal, he says, is to ensure the survival of the Opposition in the next election to allow opponents of the PLP to mobilise for 1987.

The more fundamental problem is that none of the opposition parties represented in Parliament offers a significantly different political alternative to Mr. Pindling. They are all mixed economy, nationalist-minded pragmatists.

Organisation

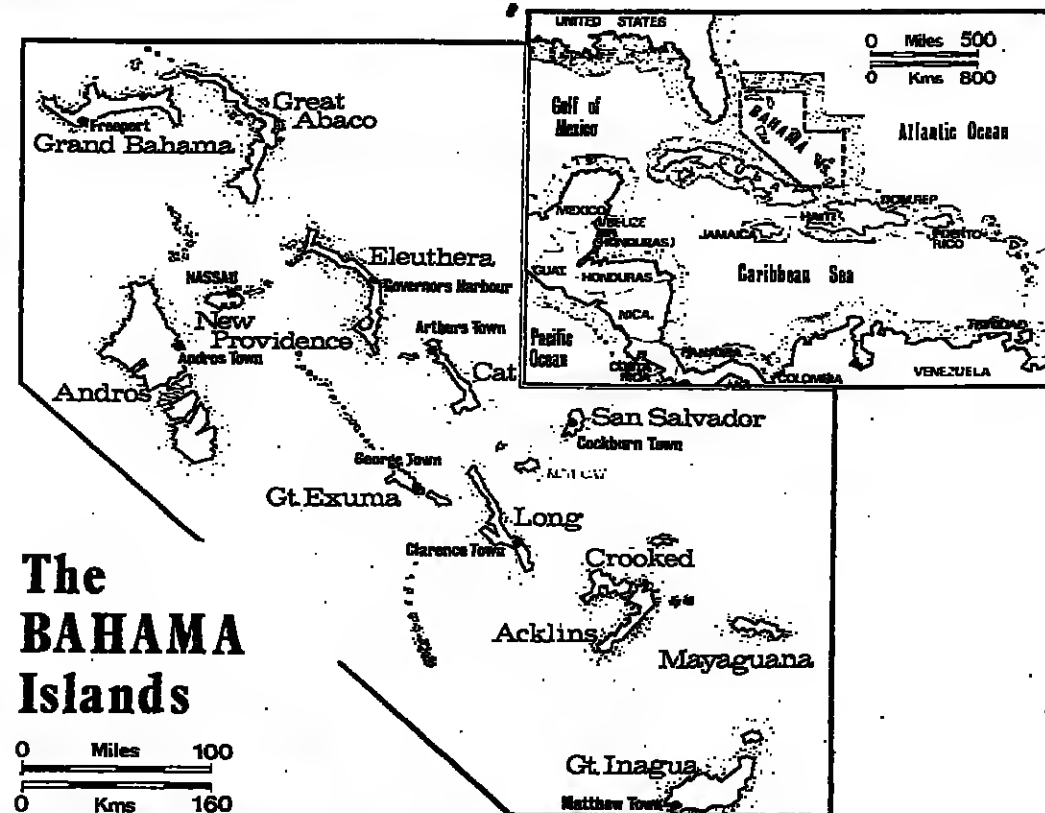
The exception, outside Parliament, is the small but well organised Vanguard Socialist Party, which won only 1 per cent of the votes cast in the 1977 election, but which many regard as a serious contender in any future political vacuum, especially in the shack-town "over the hill" section of Nassau. It is not that opposition to the PLP does not exist—Mr. Pindling's party had only 55 per cent of the popular vote in 1977—it is a question of organisation. The country's trade union movement, for example, is showing some signs

of restiveness from its traditional allegiance to the PLP, but in the present order of things has no alternative political home.

Today, most of the attacks of the Pindling Government focus on its alleged bureaucratic inefficiency and its alleged corruption. Morality is also at the heart of the noisiest current row in Bahamian politics, the question of the Government's proposal to amend the country's seven-year-old constitution.

The proposal, which is intended to go to national referendum after clearing Parliament, would retroactively deprive an estimated 2,000 people living in the Bahamas of their rights to Bahamian citizenship should they desire to take it. The Government lost in the courts a test case from one of those affected, Mr. D'Arcy Ryan, and so came up with the present legislation.

The Government's proposals have drawn strong fire from some legal and religious opinion, as well as from Opposition politicians, but Mr. Pindling says he is determined to press ahead to prove the right of a Bahamian Government to determine such matters. He will probably win the referendum handsomely, in part because it is erroneously



The BAHAMA Islands

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related in some popular thought with efforts to stem the flow of illegal immigrants from Haiti. These highly unpopular Haitians are now thought to account for more than 10 per cent of the country's estimated 242,000 population.

Another local controversy surrounds the proposed enactment of measures limiting foreigners' rights to acquire land, a move which has snarled up the construction industry with even longer than usual planning delays and which some feel could have a significant long-term effect upon the only recently revived building sector, especially in Freeport, where expatriates' memories of Gov-

ernment interference are not sweet.

Mr. Pindling however, is far less worried about these matters than about deteriorating social conditions in parts of Nassau, which could eventually hurt both the tourist industry and his own position. With the population still expanding at a breakneck 3.5 per cent a year, only a doubling of income from tourism over the next five years offers any hope of even holding the current position on unemployment.

Mr. Pindling, shrugging off the risks inherent for the Bahamas in the recession now gathering momentum in the U.S., the islands' chief trading partner and supplier of tourists, believes his own country's economy is still growing towards a peak in the politically convenient year of 1982, when a major U.S. pharmaceutical plant will begin production in Freeport.

He accepts, however, that public spending will have to be stepped up in what he has dubbed the country's "social revolution"—a 10-year \$50m programme aimed at cleaning up Nassau, improving the infrastructure and putting the poorer people into decent houses.

He also accepts that more money must be found for the overstretched police force to combat the crime wave. Although the overall level of crime last year was stable, there were 41 murders, compared with 15 in 1978, and this macabre rate has been more than maintained this year. On top of this is the fact that the Bahamas seems entirely incapable of preventing its scattered territory from being used as what U.S. officials believe may now be the most important drugs trafficking connection between Colombia and the plum U.S. market. The U.S. Embassy in Nassau now contains a full-time drugs squad officer.

But judging from past form, Mr. Pindling possesses adequate political skill and popular charisma, as the man who ended colonialism, to deal with these difficulties and with the ever present rumour of palace revolution from within his own party.

So long as the tourists do not let him down, there is no reason why, at the age of 50, he cannot weather the problems of the eighties as sturdily as he has emerged from the turbulent world economics of the 1970s.

Message from The Rt. Hon. L. O. Pindling, MP, LLB, LLD, Prime Minister of The Commonwealth of The Bahamas on the occasion of the Seventh Anniversary of Independence for The Bahamas

July 10th, 1980 marks the seventh Anniversary of Our Independence. It is also the start of a decade of new challenges to the ingenuity of the Government and the people of The Bahamas to continue to develop those social and economic programmes which would ensure real progress for all the citizens of our nation.

In The Bahamas, the decade of the 1970s provided an accumulation of challenges. The recession of 1974/75, the steep rise in oil prices which began at the end of 1973, and global inflation, all led to a decline in tourist arrivals and in local construction activities. However, further expansion of large scale international banking and other offshore services helped to counteract these downturns and sustain the economy during the critical years immediately following Independence.

The changing international economic relationships during the closing years of the decade of the 1970s, posed new problems to the Bahamian economy which demanded new solutions by our economic managers. We have been able to successfully meet that challenge. During 1978 and 1979 there were significant increases in the number of tourist arrivals and the level of tourist expenditure. Simultaneously, activity in the local construction sector which hitherto had experienced a period of stagnation showed a strong revival. The net effect of these movements was a marked decline in unemployment. Indeed, a major problem, and one which is presently being addressed, is to provide enough skilled manpower for some of the job opportunities that have become available within these growing industries.

As part of its policy to take active measures in sustaining economic development in The Bahamas, the Government intends to participate in certain key areas of the Bahamian economy and plans are well under way for the construction of a major five star hotel complex in the Cable Beach area in New Providence. This will bring to seven the number of hotel facilities presently owned by the Government and operated by the private sector.

Tourism still offers additional opportunities for expansion and growth. Accordingly, increased promotion efforts in the traditional North America and European markets will be accelerated so that the target of two million visitors annually during the 1980s will be achieved. Attention will also be directed to new market areas such as Latin America. A tourism development plan is being formulated to identify potential areas for the development of this sector in the Family Islands which are becoming increasingly popular as a tourist destination.

Although the Bahamian economy in the foreseeable future will continue to be heavily dependent on its major sectors, Tourism and Finance and Banking services, efforts are being made to broaden the base of the economy through diversification and through an increased integration of tourism with other sectors of the economy notably Agriculture and Fishing and Manufacturing.

The effects of the emphasis placed on Agricultural and Fisheries Development in the 1970s are now being felt. The introduction of co-operatives has assisted the development of Agriculture and Fisheries in the Family Islands. The Fisheries Department purchased its first training vessel earlier this year and the training which has now become available should in due course equip Bahamian fishermen with the modern techniques necessary to maximise their catch and to properly manage the resources of the sea.

The Bahamas, like most nations in this region, recognises that the single most important element to the industrialisation process is the availability and cost of energy. It should be of interest to note, therefore, that The Bahamas Government has now officially launched its Petroleum Exploration Programme and is considering the granting of the first major permit to undertake a seismic survey over Bahamian territorial waters during the 1980s. Steps have also been taken by the Government to investigate alternative energy supply systems. The Food Technology Division of the Department of Agriculture is presently testing the extraction rate of alcohol from locally grown cassava.

In the seven years since Independence, The Bahamas has demonstrated a remarkable ability to effectively manage its economy. The Government of The Bahamas has also realised that sound economic management must necessarily be tied to sound social policies and programmes. To this end, the Government has designed and is in the process of implementing its social revolution plan for the 1980s:

- expansion of Health and Welfare facilities throughout the nation
- a massive sustained programme to improve and maintain the environment, particularly in heavily populated urban areas
- improved educational services including the expansion of vocational and technical training within existing institutions
- development of modern infrastructure facilities with special emphasis on Family Island communities
- progressive legislative reforms as they relate to commercial and business licencing, property transfers, inheritance and matrimonial matters.

The economic and social progress in The Bahamas since Independence are, by any accepted standards, noteworthy. The continued adherence by the Government to the principles of fiscal and monetary responsibility together with its commitment to meet the legitimate social needs of the entire nation, must ensure the climate of political and economic stability for which The Bahamas has become renowned and must, therefore, continue to safeguard our country's reputation as one of the most secure investment areas in the Western World.

For further information write to: The Office of the Prime Minister, Nassau, Bahamas.

BAHAMAS II

Economy being pulled in two directions



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"WE ARE trying to ride two horses moving in opposite directions at the same time," says Mr. William Allen, the young Bahamian just appointed Governor of the country's Central Bank.

The horses in question are the need to deal with the problems of unemployment and poverty on the one hand while maintaining cohesive fiscal management on the other. Balancing these two forces is increasingly the central preoccupation of those responsible for managing the Bahamas economy, whose total turnover is equivalent to that of a second league U.S. industrial company. The problem is not new. The Government has been wrestling with intransigent unemployment for six years, but its urgency is increased by the mounting scale of the social problems involved and the fact that a high birth rate offers no short term demographic relief and because the Government of Mr. Lynden Pindling is, at most, two years from the next general election.

Mr. Allen is adamant that there is no question of the Central Bank coming under political pressure to loosen its traditionally tight monetary control to finance the Prime Minister's beralled "social revolution." Mr. Pindling insists that the \$50m needed for the 10-year programme will come from the country's national insurance savings scheme, which now has a balance of around \$90m.

For the international financial community, which has such a large presence in Nassau and, even more important, for foreign industrialists and developers considering projects in the Bahamas, these reassurances, always readily available, are of great importance. Fiscal self restraint, which translates into

the Government's refusal to levy income or significant corporate taxes, is, along with political stability, the bedrock upon which foreign investment in the Bahamas has been built.

But that does not make it any easier for the Government to continue to maintain these conditions at a time when political pressures at home are still being compounded by a soaring oil bill and the even more dangerous import of, until recently, unchecked inflation from the U.S., the Bahama's most important trading partner. For the Central Bank, the last nine months have been tough. In the final quarter of last year the economy, primed by tourism, celebrated, albeit domestic credit demand, notably in the construction sector, took off.

At the same time, interest rates in the U.S. started their feverish climb opening up eventually a 10 point gap between the official Bahama prime lending rate and the domestic rate of the U.S. banks.

Deficit

The Central Bank decided that it could not risk the disruption to its own financial sector involved in following U.S. rates, so the Bahamas prime was held at 9 per cent, rising to 11 per cent only in February. This created perfect conditions for a flight of short-term foreign money at a time when domestic credit was already tight. Only a strong round of moral pressure from the Central Bank prevented a serious situation from getting worse. As it was, the country chalked up a \$21m current account deficit in the final quarter.

Today, the country's foreign exchange reserves have recovered to their mid-1979 position and Mr. Allen is predicting a comfortable balance of pay-

BASIC STATISTICS

Area	5,358 sq miles
Population (estimate)	242,000
Number of Islands	700
	(29 inhabited)
GNP (1978)	\$682.8m
Per capita	\$2,967
Trade (1978)	
Imports	\$416m
Exports	\$184m
Trade with UK (1978)	
Imports	\$29.2m
Exports	\$23.9m
Balance of payments (1978)	\$+27m
Inflation rate (1979)	9.1%
(1978)	6.0%
Currency Bahamian \$ (at par with U.S.)	

ments surplus this year and a stable, albeit record, inflation rate of 12 to 13 per cent for the year. At present the Central Bank is inducing a mild consumer credit shortage at home by putting pressure on the commercial banks.

Two factors produced the turnaround in the foreign exchange position. One was the Government's announcement of intended land control legislation, which unintentionally put a damper on the construction sector. Second, and far more important, tourism, which probably accounts for 74 per cent of GNP (although there is no scientific arrival at GNP assessment in the Bahamas) and three quarters of employment, picked up. Mr. Allen's confidence about 1980 is contingent upon the visitors continuing to arrive in record numbers.

There is a general awareness among senior Government officials, however, that the record tourism returns must be seen as a means of buying time to strengthen the economy struc-

turally and to increase its diversity. Tourism today is just as dominant in the economy as it was 10 years ago, in spite of huge Government efforts at diversification.

Seven years after independence, there is more realism about the best route towards diversification through a system of linkages with tourism designed to create the 6,000 new jobs a year the country needs to prevent even more of its youth drifting, as the Bahamians put it, "on the rocks."

Thus we have the present emphasis on agriculture and fisheries, discussed elsewhere in this survey. If the Bahamas can feed its tourists with predominantly Bahamian foods, then the real value of the tourist dollar will be much enhanced.

Of course, the country still wants industrial growth, and has been encouraged by ventures like the Smithline Pharmaceuticals project due to open in Freeport in 1982, to believe that it still has the ability to get it. But relatively high labour costs by Third World standards rule out significant manufacturing industry growth. Likewise there are hopes for further development of the financial services business, although an attempt to establish Nassau as a ship registration centre has proved fruitless.

There are still enormous obstacles to this policy and self evident risks of frightening proportions attached to failure. The optimists argue that tourism is now better organised than at any other time and that as a basic economic commodity it is more stable than many others. They also argue that a decade of Bahamianisation of jobs, along with numerous other long efforts, has ripened the skills of the local workforce

and the emergent middle class to enable the country to build in the 1980s upon the spade-work of the 1970s.

The darker assessment is that a Government with a current budget less than \$30,000m lacks the financial muscle to push the economy through its next orbit, whether it be in funding the vitally needed improvement in tourist transport to the outer islands or in managing the industrial and agricultural programmes. The pessimists also lack the will to do the job on the Government's behalf.

Three alarms

So far as the foreign investor is concerned, the Government has recently raised three specific alarms in its policies over changing the constitution, controlling the sale of land to foreigners (especially foreigners who want to borrow Bahamian dollars for their schemes) and the imposition of business licensing fees.

The land issue is potentially the most serious for the economy, although Mr. Pindling has been full of assurances about protection for legitimate deals in the interest of

economic growth. But foreigners sitting with frozen planning applications or unseizable property and the bank holding the mortgages are so sure.

The proposed constitutional change is of little direct economic significance, but some foreigners see it as another indication that the days of welcome foreign investment in the Bahamas are limited. Similarly with business licensing designed to impose for the first time a modest fee of up to \$180,000 a year, which sounds some like the first footsteps of corporate taxation.

The Government testifies refuses to pay much heed to these expatriate grumbles regarding them as another break of implied blackmail about the withdrawal of investor confidence of the kind which were common around the time of independence. But investors' confidence remains pinned to the scepticism of one of Mr. Allen's horses, and reconciliation between the two other pressures does not promise to get any easier in the months ahead.

Ian Hargreaves

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BAHAMAS III

Lynden Pindling

MR. PINDLING'S government, the Prime Minister of the Bahamas, Mr. Lynden Pindling, has after a quarter of a century in command the respect and affection of his fiercest critics. Short but well-muscled from a regimen of exercise and work, the 50-year-old Mr. Pindling shows little of the signs of his 13 years in office. Nonetheless, his charismatic personality has been so prominent in the ascent of the Progressive Liberal Party to power that it is difficult to imagine the party or the nation without his presence.



The grandson of a Bahamian seaman and son of a retired seaman who emigrated to the Bahamas from Jamaica, Mr. Pindling holds an LL.B from the University of London. He was elected to the English Middle Temple in 1963, and to the Bahamas Bar later that year. He joined the PLP shortly after its formation in 1965 and was elected to the House of Assembly. His party's victory in the 1967 General Election marked the peaceful transfer of power from a white minority to a black majority government.

After four worrying years—between 1974 and 1977 when tourism, the mainstay of the country's economy, stagnated—business is again growing in boom proportions. Last year, the islands played host to 1,789,000 visitors—29 per cent more than in 1977 and seven times the permanent population of the Bahamas.

More important, at least in the planners' opinion, the growth looks set to continue. Business was up by 7.8 per cent in the first five months of this year, led by a remarkable 19 per cent growth in traffic from the U.K.

The weakness of the U.S. dollar, to which the Bahamian dollar is tied at par and with which the Bahamian currency is in effect interchangeable at shops in the islands, has obviously been a significant factor in stimulating this growth, just as it has helped to establish the concept of cheap British holidays at Miami Beach in the U.S. nearby.

But the Government and the Tourism Ministry must also take some credit for the way in which they responded to the years of stagnation by pumping more Government effort and money into an industry which, in the immediate period after independence, was often either taken for granted or even to some extent despised as a candyfloss sector remote from the "real" economic aspirations of a proud, developing country.

No complaint

Today, Mr. Baltron Bethel, the amiable director of tourism, is not complaining about his \$150m budget for this year—up almost 19 per cent from 1979. And he is certainly not complaining about business. Nor is he slow to remind Government colleagues, some of whom remain suspicious of tourism, that for every Government dollar spent there is a \$30 return.

The major achievement, he says, has been to iron out the troughs in the tourist year, which not all that long ago was an exclusively winter jaunt for Americans, with most hotels shutting down for the steamer

summer months. Last year, hotel room occupancy averaged a respectable 72 per cent overall and reached a record 80 per cent in the main centres, Nassau and Paradise Island, which are linked by a bridge. Winter bookings were almost solid.

Indeed, the industry has now spun quickly towards the opposite problem of stagnant business, that of a shortage of hotels. Within 10 years, Mr. Bethel says, today's total of 12,000 beds, of which 4,000 are in the outer islands—3,000 on Grand Bahama and the rest in Nassau-Paradise Island—will be doubled, with an extra 4,000 of this total available within five years.

But it is no secret that the poorer years induced a cautious approach to hotel expansion which the Ministry is having difficulty persuading hotel owners and developers to overcome. Even the Government's own ambitious plans for its six hotels have been scaled down.

The shortage of hotel rooms on the best-known islands also partially explains why so much effort is now going into filling unused space in the less-known outer islands, or as they are known to Bahamians, the family islands.

These islands have plenty of natural assets. Indeed many are genuine tropical paradises, with year-round sun, spotless talcum powder sand, crystal seas and palm trees, unlike the actual Paradise Island with its acres of large casinos and wall-to-wall gamblers. These outer islands have all the qualities of the less-developed Greek islands, with the exception that they are much harder to get to.

Island-hopping by boat in the Greek style can be done, although the mailboats are not recommended other than for the hardy and those with relaxed itineraries. For everyone else, except the fortunate owners of private aeroplanes, the answer is Bahamasair, the national airline whose finances may be on the point of breaking even for the first time this year, but whose under-equipment continues to cause service problems. Another difficulty is the absence of island-hopping marketing efforts in Nassau itself, where almost everyone starts a Bahamas holiday, although Mr. Bethel promises that this will be rectified by next winter.

This gap in marketing means that much of what business the lovely family islands get is

either from packages sold abroad or from visitors who know the ropes. There are plenty of people in the latter category as 80 per cent of out-land holidaymakers make a return trip, compared with less than 50 per cent returning to Nassau and Freeport.

Objective

The objective, which the planners are confident they can meet, is to push last year's record of \$562m in spending by visitors—of which 68 per cent is claimed to be retained within the local economy after deducting imports used by tourists—up to \$1bn by 1985. If anything happens to prevent this achievement, prospects for the whole economy fall into question.

Another aspect of the tourism Ministry's task has been to promote further popular acceptance of tourism by Bahamians, through a programme designed to convince them that without tourists there would not be schools or indeed much else in the country. "Tourists are our oil," says Mr. Bethel with an evangelical air.

But tourists are also fickle and Mr. Bethel has been using his budget to broaden the marketing base of the Bahamas into Europe, which now accounts for 14 per cent of total visitor-nights, compared with 8 per cent three years ago. The U.S., though less important than it was, still fills 68 per cent of the vacancies. He is also satisfied that the major training effort launched by the Government and the hotel industry some years ago is now paying

dividends in quality of service.

The Ministry, with the help of a string of international consultants, is also half-way through a major survey and 10-year planning exercise which are already shaping some of the fundamental policies of the future to preserve and extend the cultural atmosphere, develop sports facilities and deal with the transport problem, and to avoid high-rise building. Investment, it is hoped, will remain at the same public-private mix as at present.

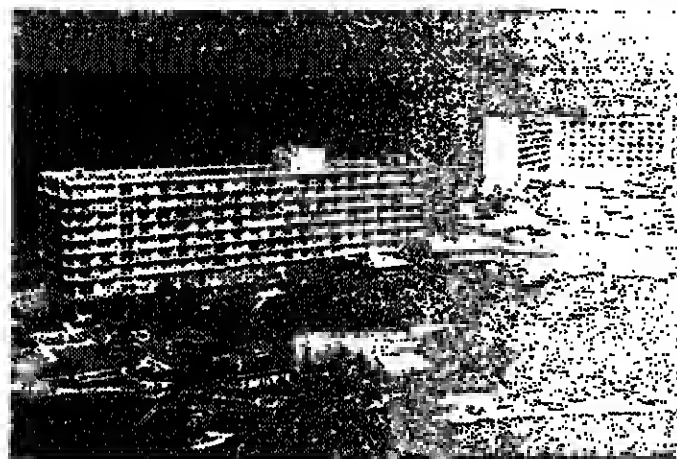
The Ministry hopes there also will be a deal with one of Europe's air carriers, possibly Laker Airways, with whom negotiations are being held, for a direct London-Nassau cut-price service, although these talks may be chiefly an attempt to put pressure on British Airways to extend its fare discounts. Another service due to start in 1982 is the DFDS New York-Nassau-Freeport-Florida car ferry service, the first of its kind in this part of the world.

As for the outlook, the planners hope that the U.S. recession will increase rather than decrease the popularity of, for Americans, a relatively low-cost, stable currency destination like the Bahamas at the same time as the weak dollar helps to attract Euro-cams.

"Of course, I have moments of uneasiness," Mr. Bethel confesses. "But so long as we continue to carefully research our market, I have confidence in what we have to offer here in the Bahamas."

L.H.

Tourist traffic from UK up 19 per cent



Top: Keeping cool in the mid-day sun off Harbour Island, North Eleuthera. Above: Average hotel room occupancy reached 72 per cent last year. Below: A scuba diver explores the clear Bahamas waters, where an estimated \$250m worth of Spanish treasure lies



William C. Allen

WILLIAM C. ALLEN, newly-appointed Governor of the Central Bank of the Bahamas, is a notable example of a new breed of young Bahamian professional that has emerged on the banking scene in the past decade. Tall, urbane and well-educated, he is at 43 also highly experienced in his field and has been credited with much of the behind-the-scenes management that has made the Central Bank an influential force in promoting the Bahamas as an offshore financial centre.

As Deputy Governor he worked closely with his predecessor, Mr. T. Baswell, and, as the Bank's first Governor, he established the pattern of mutual co-operation that has become the hallmark of Bahamian banking.



Administration of City University of New York, in Economics. Mr. Allen was associated with the New York investment banking firm of Stone and Webster Securities and with J. C. Penny, the U.S. Department store chain, as financial analyst, before joining the Bahamas Monetary Authority in 1970. When the Authority became established as the Central Bank in 1974, he was named Deputy Governor. Since 1973 Mr. Allen has also served first as chairman and, now, deputy chairman of the national carrier, Bahamasair.

N.K.

A PROFILE OF INVESTMENT OPPORTUNITIES IN THE BAHAMAS

INTRODUCTION

The Bahamas is renowned for its success in tourism and also as a growing finance and banking centre because of its tax-haven status. In addition to increased economic activities within these sectors, efforts are underway locally to further develop the industrial base necessary to supplement tourism. In order to meet this objective, the government provides a wide range of incentives including modern infrastructure to produce an environment that is attractive to both domestic and foreign investors.

TOURISM

The traditional leading economic sector, tourism, still offers additional opportunities for expansion and growth and prospects for investment in these areas continue to be attractive. It is projected that almost two million tourists, principally from the USA, Canada and Europe, would arrive in the Bahamas during 1980.

A tourism development plan is being formulated to identify potential areas for the further development of this sector especially in the family islands and will take into consideration the physical resources and infrastructure necessary to support expansion. A broad investment strategy as it relates to both government and the private sector should evolve from this study. Further information on tourist development is obtainable at the Ministry of Tourism, P.O. Box N-3701, Nassau, The Bahamas.

FINANCE & BANKING

Over the last several years, the Bahamas has emerged as one of the most important tax havens in the Western world. Freedom from direct corporate or personal taxes, liberal exchange control arrangements, adequate communication links, and the availability of modern support services

have aided the growth of this sector to the extent that there are nearly 300 banks and related financial institutions operating in the country today.

The growth of offshore financial activities is actively encouraged by the government through the adoption of policies and the implementation of regulations which are designed to avoid any compromise to the banking secrecy provisions and at the same time to maintain the liberal exchange control legislation.

FOREIGN EXCHANGE REGULATIONS

The countries of the world, for exchange control purposes, have been divided into two categories, the Bahamas and the rest of the world. The central bank has the authority to determine residential status of individuals and companies. Persons and companies are designated by the central bank as being resident or non-resident. With the permission of the central bank non-resident individuals and companies are permitted to invest in the Bahamas. Permission of the central bank may be obtained for the Bahamian incorporated company to be designated as resident or non-resident.

RESIDENT COMPANY

A resident company is defined as one whose operation is within the Bahamas. Its shares may be wholly, or in part owned by a non-resident of the Bahamas. If the non-resident investment in the company is made in foreign currency which is converted to Bahamian dollars it is accorded "approved investment" status. Approved status facilitates the investor in repatriating profits and dividends accruing from his investment.

NON-RESIDENT COMPANY

A non-resident company is defined as one whose operations are outside the Bahamas. The shares are wholly

owned by non-residents of the Bahamas. These companies are allowed to conduct transactions in any foreign currency.

Further information regarding banking and finance activities in the Bahamas is available from: The Central Bank of the Bahamas, P.O. Box N-4868, Nassau, The Bahamas.

INDUSTRY—INCENTIVE LEGISLATION

The Industries Encouragement Act allows a registrant to import into the Bahamas free of duty, all raw materials, equipment and machinery necessary to the production process for the statutory period of 15 years from the date of commencement of the operation.

The Hotel Encouragement Act allows for Customs duty refunded in respect of imports of all building supplies, furnishing and equipment for the approved project.

The Hawksbill Creek Agreement which is operative only in Freeport, Grand Bahama, offers exemption from taxes on income, capital gains, real estate and personal property until the year 1990 while simultaneously permitting freedom from Customs duties, Excise and Stamp taxes up to 2054.

SHIP REGISTRATION

Legislation has already been enacted to allow international shipping to be registered in the Bahamas. This move is to encourage major ship-owners to avail themselves of the favourable conditions that already exist in the Bahamas such as geographical location, political stability, international financial facilities and tax exemptions.

While offering this normal advantage of a flag of convenience, shipping standards have been based on the United Kingdom Merchant Shipping Act 1894 in order to overcome the undesirable aspects normally associated with flags of convenience.

OTHER

Incentive legislation also exists for stimulation of development in the agriculture and mining sectors.

INDUSTRIAL STRATEGY

The objective is to diversify the Bahamian economy by increased emphasis on industrial development and the direction of capital development in three broad categories of industries:

- Using domestic inputs
- Export oriented light and heavy industries
- Import substitution industries.

RESOURCE BASE

In addition to the geographical location of the Bahamas which places it 30 minutes by air from markets in the south-eastern USA, and its climatic conditions which provide year-round tourism, the Bahamas has extensive coniferous pine forests. Over 50bn tons of aragonite reserves (calcium carbonate) of which 3.5m tons are exported annually, 70,000 hectares of proven arable land and a continuous reserve of solar salt (sodium chloride) which is presently mined and exported to the tune of 1.3m tons per year.

POTENTIAL INDUSTRIES

The existence of an oil refinery with a 500,000 barrels/day capacity, together with an oil trans-shipment terminal capable of handling the world's largest super tankers, provide the potential for large capital investment opportunities in petro-chemical manufacturing in the Bahamas.

The itemised listing below shows other areas which are regarded as viable industrial investment opportunities in the Bahamas:

- Ship repair
- Paper products
- Small motor-vehicle assembly
- Electronic assembly
- Assembly of Diesel and Marine Engines

Assembly of Air-conditioners and Refrigerators

Livestock Production/Meat Processing

Fruit and Vegetable Processing

Canning and Preservation of sea-foods

Sisal production

Rum, Liqueurs and Beer manufacture

Garments

Perfumes

Drugs and Pharmaceuticals

Soaps and Household cleaning compounds

Feed Flour Milling

Tourist souvenirs

Footwear

Cement

Furniture

Cassava derivatives

Edible Oil Processing

Medicinal products

Hotels and Restaurant supplies and equipment

Forestry products

Naval stores.

LAND POLICY

A policy statement regarding foreign investment in the Bahamas in general and transactions in real estate by non-Bahamians in particular was recently enunciated by the government.

This land policy declaration for which legislation is now pending is designed to direct and monitor foreign investment in the Bahamas so as to ensure economic development in real terms and, at the same time, to safeguard the foreign investor from speculators in real estate.

The principal objectives of the land policy are:

- To stimulate investment in tourism, industrial and commercial projects which would contribute to the overall economic development of the Bahamas.
- To generate employment through diversification of the economy along industrial development lines.

- To ensure that land is available to Bahamian residents to meet the needs of urban and rural expansion brought on by population growth.

- To squeeze out speculation in undeveloped land, and to increase effectiveness in the administering of foreign reserves.

The proposed legislation envisages the establishment of a foreign investment board which would have the responsibility for:

- Approving development proposals as they relate to tourism, industrial or commercial projects.
- Approving real estate transactions to non-Bahamians.
- Ensuring through character and financial references that individual investors are fit and proper persons to do business in the Bahamas.
- Monitoring approved projects to ensure that the proposed development takes place in a specified time frame particularly in those areas where vacant land is to be used.

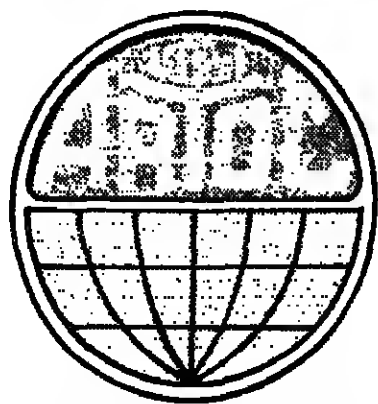
SUMMARY

Economic development in the Bahamas since independence in 1973 has been progressing at a very positive rate. Growth in terms of the GNP is estimated at about 4% per annum and it is expected to continue at this level in the foreseeable future.

The leading economic indicators, building starts, trade balances and domestic savings have been experiencing steady growth despite an annual inflation rate of approximately 10%.

Political stability and sound fiscal and monetary management are still the key factors which continue to make the Bahamas one of the more attractive places for investment in the western world today.

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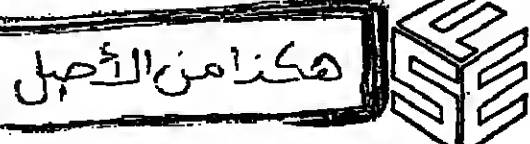
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BAHAMAS IV

Agricultural self-sufficiency is now a certain goal

WHEN THE present government took office in 1967, few took seriously its pledge to make the Bahamas agriculturally self-sufficient within a decade. Self-sufficiency is still about five years away, but no one now doubts either the country's ability to feed itself or the urgent need to do so.

Inflation, running at 13 per cent, is largely imported. But it is estimated that at least two-thirds of the nation's \$70m food bill can be produced locally, given the necessary investment, storage, transportation and processing capacity. For a tourist economy which still has to import most of its food and all of its oil, that is good news indeed.

A 1969-1974 resources survey identified 238,000 acres of agriculturally productive land, the best of it located on the islands of Abaco, Andros and Grand Bahama. But given the country's limited financial resources, it is highly improbable that agricultural development would have progressed very rapidly without the assistance given by the U.S. Agency for International Development (AID).

Research

In 1973, AID agreed to fund a five-year agricultural research and training programme (BARTAD) on 2,000 acres of Government land in North Andros. The main objective of the \$10m BARTAD project was to investigate the possibility of establishing a viable agricultural industry based on family-type farms.

These would operate principally as livestock producers with suitable fruit and vegetable crops integrated into each farming system. Linked to BARTAD were 16 satellite farms ranging in size from 40 to 80 acres, which were to be manned by BARTAD-trained farmers and used as demonstration units for the centre's findings.

The chief obstacle from the start was the difficulty in convincing Bahamians that agriculture was as much a business as tourism and could be just as profitable, although a high unemployment rate helped the shift. To make farming feasible, the Ministry of Agriculture undertook a massive land clearance scheme that made approximately 1,000 more acres of

Crown Land available for production on a leasehold basis. Allied with this was a land improvement subsidy to existing farmers on the traditional farming islands.

In tackling the problem of agriculture, the Government adopted a two-phased approach. In the first instance to develop and expand traditional farming in those areas where land was limited. The major emphasis initially was on encouragement of the small farmer, with Government providing virtually all of the finance for the agricultural sector.

Help has also been given through duty-free allowances on machinery and equipment, credit for farm supplies, reduced work permit fees for expatriate farm workers and the appointment of trained extension officers to aid Out Island farmers. The passage of Co-operatives legislation in 1974 and the subsequent establishment of eight farming co-operatives has helped small farmers benefit from economies of scale. The marketing system was also improved through the establishment of grading and packing houses in the major farming areas.

Government assistance over the past 10 years has been supplemented by an \$800,000 Credit Guarantee Fund made available by AID as part of the BARTAD project. The fund, administered by the Central Bank, is being used as a guarantee for loans made by commercial banks to farmers working commonage or leasehold land and unable to meet the security requirements of the Bahamas Development Bank. The Development Bank opened in mid-1973, has offered assistance to farmers routinely through long-term loans. Payments totalling \$350,000 were approved for the 12-month period ending December 31, 1979.

The impact of BARTAD, coupled with the Government's agricultural support programme, has been nothing short of dramatic. Food imports dropped from \$62m in 1974 to \$52m in 1977, while local production climbed from \$10.5m to \$16.6m. Based on preliminary figures, local production for 1979 is estimated at over \$20m.

The increase in domestic production represents a compounded average growth rate

of 16.4 per cent against annual GDP of 5.4 per cent. If the present impetus can be sustained, the value of local production will exceed \$34m by 1985, with fruit and vegetables accounting for \$15m, and poultry \$18m.

The islands are already self-sufficient in poultry and eggs and almost so in okras, hot peppers, cucumbers, tomatoes, onions, squash and bananas. There have also been impressive gains in limes, pineapples, avocados, oranges, mangoes, Irish potatoes and sweet peppers. Even hard-to-grow lettuce and celery are being raised successfully.

Small scale

Bahamian farming has thus far been carried out on a relatively small scale. Full exploitation of the "breadbasket" potential of Abaco, Andros and Grand Bahama will require large commercial operations that can only be financed by private enterprise.

To meet its projected minimum 10 per cent annual growth rate, the Agriculture Department is putting special stress in the 1980s on private sector participation. Such involvement is considered particularly necessary in developing a successful processing industry capable of large-scale import substitution.

Government policy stipulates that while the farming of up to 25 acres is reserved exclusively for Bahamians, foreigners can participate on a minority basis (60-40) in farming ventures of between 25 and 500 acres. The Ministry of Agriculture would like to see joint participation in large-scale production of the raw material as well as its processing for both the domestic and export markets.

The Bahamas annually imports approximately \$10m worth of fruits and vegetables, half of which is processed. However, at present there are only three canneries with very limited capacity. Expansion has been hampered by inadequate and irregular supplies of the local raw material, high prices, consumer resistance to the local product and the lack of tariff protection against imports.

Similar problems have affected pork production. Pork imports totalled \$5.3m in 1977, of which \$3.2m was processed

and the remainder frozen. The country's fresh pork needs are now being met by local farmers, but it is estimated the Bahamas could, within two years, become totally self-sufficient in pork with the necessary tariff protection and processing facilities.

A food technology/animal feeds unit, established two years ago with a \$650,000 grant from the European Community's Development Fund, is working to identify those areas in which food processing can be carried out most successfully.

To a lesser degree mutton production is another area open to private sector activity. In 1978 the Bahamas imported approximately 1.4m lbs of mutton valued at \$1.2m. An additional \$108,000 (9 per cent) of the total consumption was produced locally.

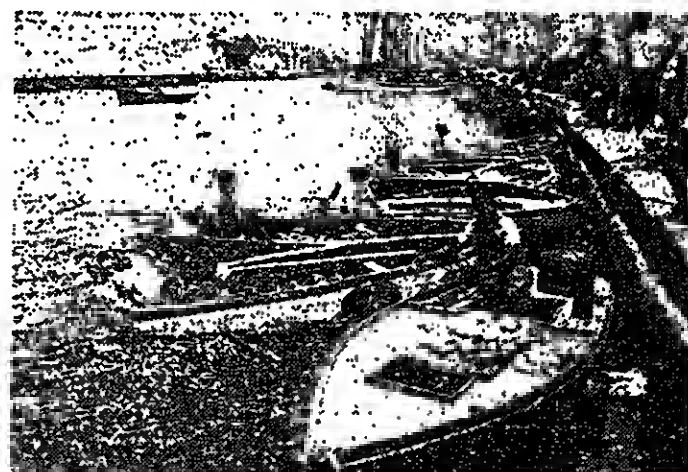
To expand production, the Ministry is importing several hundred Texas ewes over a three-year period to strengthen the local herd. Tied to the programme is a sheep-rearing demonstration project that is being jointly sponsored by the Government and the UN's Food and Agriculture Organisation (FAO).

For food production to be pushed to its maximum, however, exports will have to be increased, according to Director of Agriculture, Mr. Godfrey Eneas. Preliminary studies show strong demand for Bahamian tomatoes, pineapples, citrus, avocados, mangoes, aspidolites and guavas. The Bahamas' main market in the past has been the United States. The Commonwealth Fund for Technical Co-operation is now helping the Ministry to identify new markets in Western Europe.

Until a strong export trade can be developed and processing facilities expanded, the small size and diffuse nature of the Bahamian market will require planned agricultural production to avoid heavy losses to Government and low prices to farmers.

Farmers will need to produce a wide range of quality crops rather than contributing to the one-crop glut so common in the past. Through the Ministry's training and information programmes, this approach is starting to win acceptance as sound business practice.

N.K.



Local fishing boats share Nassau harbour with transatlantic cruise ships

With care, and the introduction of new methods, the fishing industry could become a \$50m a year business, as Nicki Kelly reports.

3,000 new jobs in prospect

THE SINKING by Cuban aircraft of a Bahamian patrol ship two months ago dramatises one of the major difficulties facing the Bahamas in trying to develop its fishing industry. The vessel had just arrested two Cuban fishing boats for poaching in Bahamian waters.

Until the Government began cracking down in 1973, it was estimated that nearly 4m lbs of high-priced crawfish was being taken from Bahamian waters annually by foreigners. Extension of the fisheries zone first to 12 and later to 200 miles helped to boost last year's crawfish exports to nearly \$9m from \$2.8m in 1975. However, studies indicate that this figure could be doubled.

A United Nations survey has fixed the crawfish potential at 4.7m lbs and that for scalefish at 15.4m lbs. In effect, this means the islands could harvest

10m lbs of crawfish and 20m lbs of scalefish annually without depleting their resources.

The Ministry of Agriculture and Fisheries believes that with new methods and careful conservation, the Bahamas' embryonic fishing industry could be converted into a \$50m a year business within five years. That would mean up to 3,000 new jobs in a country where unemployment continues to exceed 15 per cent.

The problem in the past has been a shortage of capital and technical expertise. With help from the UN's Food and Agriculture Organisation (FAO), the Government has undertaken a \$30m fisheries development programme. It includes construction of a central fish landing and marketing terminal, modernisation of the fishing fleet, training of fishermen and improved fish processing facilities. The plan puts special stress on fisheries development in the more disadvantaged islands where the need for jobs is greatest.

To assist the industry and aid in the conversion from sail to motorised boats, import taxes were waived five years ago to allow for the duty-free importation of vessels, fishing gear and fish-processing equipment. Since then the number of motor vessels engaged in commercial fishing has nearly doubled from 85 to 160.

\$5.4m loan

A \$5.4m loan granted by the Inter-American Development Bank (IAB) last year will assist with infrastructure development and private sector financing. Some \$2.1m has been earmarked for construction of the fisheries terminal. The remaining \$3.3m is being channelled through the Bahamas Development Bank to help fishermen and fish processors acquire better boats and equipment and improve their catch and handling facilities.

In addition to the principal loan, the IAB has advanced \$305,000 for fisheries development in the less developed southern islands. A six-month feasibility study now under way will determine their fishing potential and the level of investment required. Meanwhile small processing

and holding facilities have already been built in three of the islands enabling fishermen to freeze their catch until it can be marketed. Co-operatives are expected to play an important part in revitalising the industry in this area.

Early this year the Ministry of Agriculture and Fisheries commissioned three new vessels to be used for training potential and practising fishermen in modern commercial fishing methods. The response, particularly from young Bahamians, has exceeded even the Ministry's expectations.

Anticipating increased demand for new fishing boats, a Bahamian company, Vitress Ltd., plans later this year to start building 50-ft steel-hulled vessels designed to meet local fishing needs. Their advantage is a rust-proof coating that will cut down on maintenance costs. The company also expects to develop an export market in the Caribbean for its boats.

In spite of the advances, the Government is gravely concerned over the wanton destruction by foreign and Bahamian fishermen of fish habitats and breeding grounds. To increase their catch many have resorted to the widespread use of bleach and explosives to drive crawfish from their rocky shelters. In some areas the coral reefs have suffered irreparable damage.

This, combined with the illegal use of spearguns, scuba equipment and other apparatus, could have a disastrous effect on the entire fishing industry, the Minister of Agriculture and Fisheries, Mr. George Smith, has warned.

Overfishing has already pushed the conch close to extinction. A staple of the Bahamian diet, it is being wiped out by commercial shell collectors. The conch population in the Caribbean is now only 10 to 20 per cent of what it was a decade ago, and the decline is continuing. Scientists estimate it would take a ten-year ban on conch collection before that mollusc could return to former population levels. A \$10m study funded by Grand Bahama developer Wallace Groves is currently investigating the prospects for cultivating conch in the Bahamas under controlled

conditions.

The Ministry of Agriculture and Fisheries already has tough regulations in force to protect the crawfish and is planning new rules to protect the young conch. The difficulty is enforcement over an archipelago spanning 100,000 square miles of water. Foreigners, in violation of Bahamian laws, continue to poach in Bahamian waters throughout the year, taking large quantities of undersized and egg-bearing crawfish.

In the past nine months the Bahamas Defence Force has arrested nearly 40 foreign fishing boats and 150 Cuban, Cuban-American and Dominican fishermen within the country's 200-mile fisheries zone.

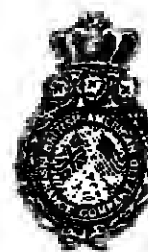
Exclusive

The Government has made clear that fishing in the Bahamas is to be reserved exclusively for Bahamians, but that there must be greater local responsibility in exploiting the country's marine resources. It is hoping that educational programmes, carried out with the assistance of the Bahamas National Trust, will alert Bahamians to the need for conservation and protection of their national heritage.

Equally important has been the change in public attitudes. From only one professionally-trained agriculturalist on the Ministry's staff in 1968, there are now 28, all of them Bahamian. Agricultural courses are among the most popular in Government schools and part-time farming has become a national pastime.

Much still needs to be done, however. Transport and marketing facilities remain a major problem. Most produce is still moved from the islands aboard mail boats ill-equipped to handle this type of cargo. The Ministry has made recommendations as to the type of vessels required, but an estimated \$10m will be needed to implement the five- to 10-year shipping development plan proposed by the Inter-American Development Bank.

The Government is moving ahead nonetheless, recognising the importance of agricultural development in a world fast running short of food.



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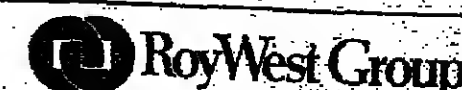
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BAHAMAS V

Training schemes will help industry expand

A GREAT deal of lip service has been paid to the need for industrial diversification in the Bahamas. But much of what there is of it has grown largely on the strength of private initiative.

Most of the Government's efforts have centred on sustaining the country's phenomenally successful tourist industry.

It has become apparent, however, that tourism alone can no longer offset the drain of rising oil prices on foreign exchange reserves. Nor can it absorb the large number of young people who enter the labour market annually.

Illegal immigration, mainly from Haiti, has pushed the population growth rate to 3.68 per cent, second highest in the hemisphere. It is estimated that more than 60,000 new jobs will be needed over the next decade to bring unemployment within manageable proportions.

One of the principal obstacles to industrial growth in the past has been the lack of skilled labour. The Government has at long last come to grips with the problem and earlier this year introduced an intensive vocational training programme which is intended to provide the manpower needed to support and expand the industry.

Initial training is being conducted in Nassau, but there are plans to establish additional centres in Grand Bahama, site of several large industries, and in other islands where food production is expected to become the primary focus of economic activity.

As noted elsewhere, the Government is investing considerable sums in agriculture and fisheries development, with its large potential for employment and import substitution. The emphasis on expanded food production comes at a time when increasing amounts of nearby Florida farmland are being lost to new housing developments. As a result, many U.S. growers are looking to the Bahamas as an alternative location for their farming operations.

Breakthrough

A significant breakthrough is the proposal by Kendall Farms of Florida, the world's largest lime producer, for a 2,000-acre farm and fruit processing operation on Grand Bahama Island.

The project, which is expected to start shortly, will concentrate on lime for manufacture of the preservative pectin, and on mangoes and avocados. The company will also buy fruit supplies from other Grand Bahama farms for processing. Some 30 per cent of production will be sold locally, and the rest exported.

Most of the country's industrial activity has focused on Grand Bahama, and particularly the area of Freeport-Lucaya, because it has both the communications and infrastructural facilities to support the needs of an expanding industrial sector.

There are, in addition, a variety of tax benefits and trade advantages to which companies are entitled by Bahamian law and under the preferential tariff concessions afforded the Bahamas by the European Economic Community, the U.S., Canada and Japan.

The Syntex Corporation and Cooper Laboratories, both internationally-known pharmaceutical companies, have successfully operated plants at Freeport for a number of years. Their products have remained reasonably recession proof.

The \$21m Syntex facility produces steroid hormones used in the manufacture of birth control pills and Naproxen, used to treat arthritis.

Exports to Europe, Canada and Japan benefit from the duty concessions enjoyed by the Bahamas. The smaller Cooper Laboratories manufactures Pro-Umide, an anti-virus drug for treating herpes.

Later this year Smith Kline Corporation, one of America's pharmaceutical giants, expects to build a \$30m Freeport plant.



The Bahamas Oil Refining Company's 500,000-barrels-a-day plant at Freeport

that will produce Tagamet, used for treating ulcers. The company is a recognised leader in the treatment of coughs, colds and allergies in the U.S. and abroad. One of its best known products is Contac.

What may prove to be the car of the future is being assembled in Freeport for the Electric Auto Corporation. Up to as many as 300 pre-production units of the electrically-powered Silver Volt will be road-tested in Florida during the remainder of the year.

The five-passenger car, built on a modified General Motors chassis, has a top speed of 70 mph, a range of 80 to 100 miles between charges, a cruising speed of 55 mph and provides the electric equivalent of 80 mpg.

If the test programme succeeds, the company will begin producing 6,000 to 7,000 cars annually, starting next year.

One of the victims of the 1974-75 recession was the \$140m Bahama Cement Company, formerly a subsidiary of U.S. Steel. Because of the energy intensive nature of its production, the company was hard hit by the rise in oil prices and the subsequent slump in U.S. construction in the mid-1970s.

The plant was closed in 1977 and sold in 1978 to a Middle Eastern group, International Development Corporation. It was re-opened the same year, with the revival of the U.S. construction industry.

To reduce its dependence on oil, Bahama Cement is converting its 800,000-ton capacity plant to a coal-fired system. The \$8m changeover will take a year but should save millions of dollars annually in fuel costs.

Environmentally clean, the new system makes use of a completely sealed process in which coal is fired in powdered form directly into the kiln without atmospheric discharge.

With the U.S. caught in another housing slump, the company expects demand from its Florida and Gulf Coast markets to slacken this year, but is optimistic about the long-term prospects for 1981 and 1982.

The \$340m MX missile deployment system which the U.S. Government wants to start

building in the Nevada-Utah area next year will require an estimated 2m tons for its concrete launch shelters and connecting roadways.

Florida's construction of a rapid transit system and building of another military project in Alabama will also need large quantities of cement.

The U.S. last year imported 9.4m tons of cement. That figure is expected to swell to meet the additional need for office and hotel space, airport expansion, harbour development and oil exploration as well as housing.

But with many marginal cement producers being forced out of business by fuel prices, there are predictions the U.S. will face serious cement shortages by mid-decade. Industry officials predict that the price, now up to \$65 a ton, could pass the \$100 mark in the next few years.

Besides ample supplies of limestone for cement, the Bahamas also has the world's largest deposits of aragonite, a pure calcium carbonate sand used in making concrete, glass, fertiliser and in a variety of chemical processes.

From a slow start, sales by Marcona Ocean Industries are now exceeding production. The company last year exported 4.4m tons of aragonite, up from 3.4m the year before, and expects still bigger sales in 1980.

Economical

Because of its purity, aragonite does not have to be pre-filtered before use. Many cement plants are thus finding it more economical to convert from limestone to aragonite because of the long-term energy savings. Bahamian aragonite is exported mainly to the U.S. for cement and glass production and to the Caribbean (Guyana and Puerto Rico) for agricultural lime.

Attempts to make Grand Bahama a centre for oil-related industry have failed, largely as a result of the rapid changes in the oil market.

The Charter Company last year acquired a majority share in the Bahamas Oil Refining Company (BORCO) following purchase of the financially troubled Carey Energy Corporation.

The 500,000 barrels-a-day

refinery is now jointly owned by Jacksonville-based Charter and Standard Oil of California. But slack demand and low crude oil supplies have kept production down to 325,000 barrels a day.

Half the refinery's yield is residual oil, shipped to utilities in the north-east U.S. The remainder is naphtha or petrochemical feedstock, blended to produce gasoline, jet fuel, kerosene and home-heating oil.

Most of BORCO's light products go to north-west Europe. The company hopes to strengthen profit margins by producing an upgraded product that will contract declining demand for residual fuel.

Legislation

BORCO's presence has assured a steady supply of oil for the Bahamas Electricity Corporation (BEC), albeit at increasingly higher prices. Under a recent arrangement with Government, Charter has agreed to a 10 per cent discount on oil sold to the corporation. The Government has also introduced enabling legislation that would allow for offshore oil exploration in the Bahamas.

The 150m-barrels Burmah trans-shipment terminal, which came on stream during the 1974 energy crisis, continues to operate at a loss. Throughput peaked at 96m barrels in 1978, but has started falling once more below the 90m target. Last year's total of 80m barrels is expected to drop to 70m this year. Activation of the Louisiana Offshore Oil Port (LOOP) next year is likely to reduce the terminal's viability still further.

Another company facing difficulties is the West German-owned Grand Bahama Steel and Pipe, which has been affected by the depressed state of steel in the U.S., its main export market. GBSP produces a large, highly abrasive-resistant steel pipe for which it is presently seeking duty-free treatment under the U.S. General System of Preferences.

GSP recognition would make the Bahamian pipe more competitive in a highly competitive market. The company contends that the amount of steel pipe imported from the Bahamas is very small in comparison to that imported from other countries, and would not disrupt the market.

American steel producers are opposing the application on grounds that the same size pipe is being manufactured in the U.S.

One of the Bahamas' few truly successful attempts at diversification has been the Bacardi company's rum-producing plant in Nassau. Established 15 years ago, Bacardi (Bahamas) has become the largest exporter of light rums in the Caribbean.

Well over half its overseas sales are made to the UK and Europe under the Lome trade agreement. The remainder goes to Canada under similar tariff concessions.

Toddhunter Mitchell at Freeport is another successful rum exporter. Its coconut and Methusalem rums are shipped to Europe, Canada and the Caribbean. But most sales of rum, vodka, gin and scotch are made in the Bahamas. The company expects to start bottling shortly for the Seagrams company.

Although the Government would like to see more industrial activity in locations other than Nassau and Freeport, the only business of any magnitude to take hold elsewhere in the islands is salt, which pre-dates the grant of the Bahamas to the Lords Proprietors in 1670.

The Morton Salt Company has been associated with the salt industry at Inagua since 1954. In 1962 Diamond Crystal Salt set up operations in Long Island. The salt produced in these islands today is used principally for winter clearance of roads in North America and in certain chemical processes.

Nicki Kelly

BANCO AMBROSIANO OVERSEAS LIMITED

NASSAU BAHAMAS

P.O. Box 6347, Nassau, Bahamas

Telephones: (809) 32-24416/2-4577/2-8875/5-5402



Telex: NS 130/193 - Answerback: Ambrobank - Telegraph: Ambrobank

EFFECTIVE JULY 1, 1980 Cisalpine Overseas Bank Limited (incorporated and licenced in 1971) changed its name to BANCO AMBROSIANO OVERSEAS LIMITED and was designated AUTHORISED DEALER AND AGENT by the Central Bank of the Bahamas.

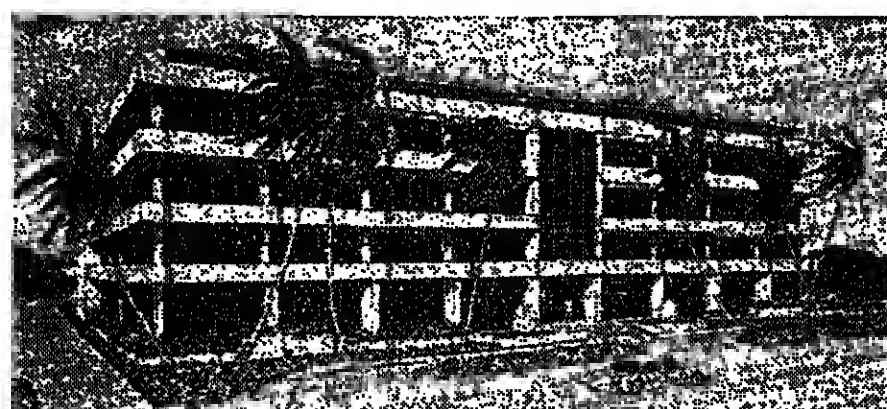
Banco Ambrosiano Overseas Limited is one of the largest banks incorporated and unrestrictedly licenced in the Bahamas. As an international merchant bank, Banco Ambrosiano Overseas is active in all forms of Eurocurrency business. Its trust department provides company management and trustee services to offshore institutional and individual clientele. Through the recent upgrading of its local status under Exchange Control regulations the bank can now provide a full line of banking services to both residents and non-residents.

Balance Sheet at December 31, 1979

Cash and due from Banks	US\$28,926,953	Time deposits	US\$483,590,414
Time deposits	301,894,712	Accrued interest, commissions and other accounts	9,562,916
Accrued interest, commissions and other accounts	13,426,238	Proposed dividend	2,000,000
Securities	6,302,319	Shareholders' Equity	51,253,203
Loans and advances	164,127,311		
Investment in subsidiaries	1,734,000		
	US\$516,411,533		US\$516,411,533

Authorised capital: \$40,000,000. Issued and outstanding: \$20,000,000

THE FUTURE HOME OF BANCO AMBROSIANO OVERSEAS



"AMBROSIANO HOUSE," NASSAU

Representative Office: Banco Ambrosiano Overseas Limited
Le Mirabeau, 2 Avenue des Citronniers
Apt. No. 402, Monte Carlo, Monaco

BANCO AMBROSIANO is the largest private banking group in Italy. Together with its affiliates, it controls assets in excess of US\$20 billion. The principal affiliates are:

Banca Cattolica del Veneto	Vicenza	Credito Varesino	Varese
Banca del Gottardo	Lugano	La Centrale Finanziaria	
Banco Ambrosiano Andino	Lima	Generale S.p.A.	Milan
Banco Ambrosiano de America del Sud	Buenos Aires	Toro Assicurazioni	Turin
Banco Ambrosiano Holding	Luxembourg	Ultrafin A.G.	Zurich
Group Offices in Buenos Aires, Caracas, Hong Kong, Managua, New York, Sao Paulo, Washington		Ultrafin International Corporation	New York

Lloyds Bank Group in the Bahamas.

Lloyds Bank International (Bahamas) Limited, a subsidiary of Lloyds Bank International, offers a full range of services appropriate to an international banking and trust operation:

Eurocurrency loans.	Acceptance of Trusteeships.
Fixed Deposits.	Company management.
Notice Accounts.	Nominee and Agency Work.
Saving Accounts.	Portfolio management.

For further information please contact:
Lloyds Bank International (Bahamas) Limited,
Bolam House, King and George Streets, Nassau.
P.O. Box N1262. Telephone: 809-32-28711.



LLOYDS BANK INTERNATIONAL

A member of the Lloyds Bank Group

Head Office: 40-66 Queen Victoria Street, London EC4P 4EL. Tel: 01-248 9822.
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Lloyds Bank International Limited, the Bank of London & South America and the Bank of London & Montreal have subsidiaries and offices in: Argentina, Australia, Bahamas, Bahrain, Belgium, Brazil, Canada, Cayman Islands, Chile, Colombia, Costa Rica, Ecuador, Egypt, El Salvador, France, Federal Republic of Germany, Guatemala, Guernsey, Honduras, Hong Kong, Iran, Italy, Japan, Jersey, Liechtenstein, Malaysia, Mexico, Monaco, Netherlands, New Zealand, Nicaragua, Panama, Paraguay, Peru, Philippines, Portugal, Republic of Korea, Singapore, Spain, Switzerland, United Arab Emirates, United Kingdom, U.S.A., U.S.S.R., Uruguay, Venezuela.

Salt production at Long Island. Most of the salt is sent to the U.S.

COMMODITIES AND AGRICULTURE

Grain ban end in sight

By John Edwards in Texas

THE U.S. embargo on grain sales to the Soviet Union is unlikely to be lifted before the presidential election, but will be discontinued shortly after that, according to Earl Butts, former U.S. Secretary of Agriculture.

Mr. Butts told a conference on grain and oilseeds organized by the American Oilseed Processors Association that the embargo had proved ineffective and should be lifted. But he added that higher food prices and the need to weather currently high grain prices would not back down on the embargo before the forthcoming election.

Mr. Butts claimed that the embargo had been taken off the books of the Administration as a result of the embargo would be used to restrain expected increases in food prices resulting from the wheat that has been lifted grain values by some 33 per cent.

However, Mr. Butts pointed out that the bulk of U.S. grain output comes from three states—Texas, Illinois and Indiana—where crop conditions were not as good as far. Should the 1980 crop prove to be a disaster, he said, it would be better to let market forces regulate supplies rather than artificially distort the market by releasing government-held reserves.

Mr. Butts added that Mr. Reagan was committed to lifting the embargo if elected president and he hoped the Soviet Union would be treated as a regular commercial customer in future.

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Farmers renew call for Green \$ devaluation

By Our Commodities Staff

THE NATIONAL Farmers Union has renewed its plea for further devaluation of the green pound so as to raise prices received by British farmers.

Speaking to farmers in Wells, Somerset, yesterday, Mr. Michael Strauss, the union's economics director, said the devalued pound was more damaging to British agriculture than to industry. Manufactured goods were not bought on price, he said, but what our farmers received was identical to what farmers produce elsewhere in North-West Europe.

Progress towards EEC Common Fisheries Policy

By John Wyles in Luxembourg

EEC Governments yesterday made solid if unspectacular progress in their search for a common fisheries policy, whose main elements look increasingly likely to fall short of the demands of the British fishing industry.

This could emerge even more clearly at the EEC Fisheries Council next meeting in October when the European Commission will table revised quotas proposals for sharing out the Community's six most valuable species of fish.

As expected, Mr. Peter Walker, Britain's Minister of Agriculture and Fisheries, yesterday rejected as unacceptable the Commission's initial proposal for a 31 per cent quota for the UK—the largest among those proposed for the Nine. His act won the ungrudging approval of a gloomily faithful audience of British fishing industry representatives.

But UK officials increasingly recognise that industrial and political imperatives limit the scope for a really substantial improvement on existing proposals.

The Community has set itself

the deadline for agreeing the Common Fisheries Policy by the end of the year, and it is recognised that the UK's EEC partners will need to defend it to their own industries and that any big increases in the proposed British quota will mean a corresponding decrease for others.

Moreover, protections under the UK-EEC accession treaty expire at the end of 1982, and it is realised the longer a fisheries agreement is delayed, the more the UK negotiating position could be weakened. However, Mr. Walker and his colleagues will seek to exploit the growing desire for a settlement among the other eight—Denmark to give more stability to its industry fishing industry and France in advance of next spring's Presidential elections.

Mr. Finn Gundelach, the EEC Commissioner for Agriculture and Fisheries saw some opportunity for revising quota proposals by the September meeting, so that they would reflect recent conclusions by EEC scientific experts that the proposed 1980 quotas for haddock, whiting and cod could be

increased. This could yield some small increase for the UK quota.

British industry claims that it needs about 45 per cent of the total allowable catch in order to be reasonably employed and to reflect the fact that more than 60 per cent of the Community's "pond" are British waters.

It estimates that it is currently taking between 35 and 40 per cent of the current EEC catch and points to the moth-balling of trawlers and the industry's generally poor economic state as evidence of its need for bigger opportunities.

The dispute over Britain's unilateral extension in 1975 of the Norway pout box recently declared illegal by the European Court, is to be the subject of bilateral negotiations between the UK and Denmark, aimed at finding a settlement before the start of the winter pout season in October.

Finally, the principle of retaining national 12-mile fishing limits was endorsed by the Commission in a paper to the Council but Ministers were not yet ready to start detailed discussions on access.

Cocoa values could fall further

By Our Commodities Staff

THE WORLD cocoa market, which recently fell to its lowest level for four years, could decline still further if nothing happens to prevent another bumper crop being harvested in the coming season, according to London brokers Paterson, Simons and Ewart.

In a report published yesterday, the firm said some chocolate manufacturers expect the price, currently around \$1,060 a tonne, to come down to about \$800. They argue that a fall of this magnitude would be required to allow chocolate prices to be reduced to a level which would encourage a rise in consumption.

Two main factors will determine whether cocoa prices do reach this level, the report says: the success or otherwise of negotiations leading to a new International Cocoa Agreement, and the minimum price level set in the agreement; and the likely size of the 1980/81 world crop.

Boost seen for Malaysian palm oil output

INDONESIAN palm oil production is expected to increase some 15 per cent this year to between 850,000 tonnes and 870,000 tonnes, Western manufacturers said. But they warned that a survey suggested increasing domestic use of palm oil would curtail export of exports to between 300,000 tonnes and 335,000 tonnes.

Last year Indonesia, which has embarked on large-scale oil palm planting, mainly in Sumatra, produced 605,789 tonnes of palm oil. Exports were some 350,730 tonnes, of which more than half went to traditional European, according to official statistics.

Manufacturers said a draw down on stocks and domestic demand stronger than anticipated lead them to conclude exports will be down this year.

Palm kernel oil production is expected to reach 47,000 to 53,000 tonnes, compared with last year's 47,700. Of this between 20,000 and 30,000 tonnes may be exported.

Last year not was officially reported to ensure domestic availability. But already 10,000 tonnes has been allowed for June-July export, the manufacturers said.

ALUMINIUM PRODUCTION

Australia aims to take first place

By Roy Hodson

THE DEVELOPMENT of aluminium production in Australia promises to be one of the great industrial stories of the 1980s. Quite simply the country intends to become the world's biggest exporter of the metal by the end of the decade and one of the three largest producers.

Australia's resident industrial giant Broken Hill Proprietary has just given notice of its determination to take a healthy slice of the action by forming a new aluminium division. It will rank alongside the group's steel, minerals, and oil and gas divisions.

BHP is spending \$187m initially to secure a strong position in the Australian aluminium boom. The investment will buy it minority holdings in a bauxite mine and an alumina production plant in Western Australia, and an aluminium smelter to be built in New South Wales.

BHP started talks with other interested parties about the possibility of mining and refining bauxite in Western Australia as far back as 1970. It was the first assertion of BHP executive Dick Carter when he said the group and he says "I've not heard of the project" connected with the project. He is now manager of alumina development.

The pace of talks quickened two years ago when the full potential of Australia as an important world aluminium source began to be realised. After many changes in the composition of the consortium the final line-up agreed early this year was as follows: Damir Mining (a wholly-owned BHP subsidiary) 20 per cent; Reynolds Metals 40 per cent; Shell 30 per cent; and Koke Alumina Associates, representing a clutch of Japanese interests 10 per cent.

BHP's investment will be \$100m. The bauxite/alumina operation is to be called the Worsley Joint Venture and will work bauxite deposits about 150 km south of Perth. There are more than 200m tonnes of economic

ally recoverable bauxite, sufficient to keep the mine in production for half a century.

Alumina from Western Australia will be shipped by sea to the smelting stage of the operation—the Farley Joint Venture which is to be built near Newcastle, New South Wales.

BHP will be entitled to 200,000 tonnes of alumina a year as its share of Worsley. When processed at the Farley smelter that raw material will provide the group with about 63,000 tonnes a year of aluminium ingot for use within the group or for sale. The total capacity of the smelter will be 236,000 tonnes.

Farley Joint Venture is composed of: BHP 35 per cent, Almax of US 45 per cent, and Alfar (representing a consortium of Japanese companies) 20 per cent.

The smelter is assured of up to 380 MW of power from the New South Wales electricity commission. A tariff (undisclosed) has been negotiated that is said to take account of the large size of the power range and the fact that it will provide a continuous base load for a thermal power station. BHP is providing \$87m towards the smelter.

But BHP also will be tempted to make use of its dominant industrial position in Australia by expanding its aluminium investment into an integrated aluminium plant. That can be done by a comparatively modest investment in rolling and extruding capacity together some expansion of steel service coils organisation run by Tube-makers of Australia (partly owned by BHP) to sell alumina in semi-fabricated form.

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Interest rate cuts boost copper

By Richard Mooney

U.S. INTEREST rate cuts and the continued rise in gold encouraged a sharp rise in copper prices on the London Metal Exchange yesterday. The rise in copper in turn prompted gains in other base metals.

In spite of a sharp pre-weekend advance in New York, London values opened slightly below Friday's closing levels. But they then moved ahead strongly and were given a further boost in the afternoon when New York's Comex market opened with further gains. At the close, cash copper wirebars were quoted \$25.25 up on the day at \$34.35 a tonne.

In London, however, Mr. Kenneth Kaunda, the Zambian president, said that the world copper market could be expected to continue in view of the deepening recession in the industrialised countries.

He was speaking at the opening of a ministerial meeting of the Intergovernmental Council of Copper Exporting Countries (Cicpec) called to discuss market stabilisation strategies. Zaire's Mines Minister, Mr. Mozanga Nguba, the outgoing conference chairman, said whether the market took the form of market intervention or quality premiums remained to be determined. He called for more copper producing countries to join Cicpec and so bolster its strength in negotiations with consumers.

The copper price rise influenced sentiment in the tin market where continued concern over the political situation following the coup in Bolivia encouraged further price gains. Cash standard tin ended the day \$117.5 higher at \$2787.5 a tonne.

London lead and zinc prices also rose in sympathy with copper, the former also being boosted by a 2 cents rise to 38 cents in 'Asarco's producer price in the U.S. Cash lead

ended up \$10.5 at \$38 a tonne and cash zinc \$3.5 up at \$295.5 a tonne.

Rises in London Metal Exchange warehouse stocks last week were generally in line with expectations. Stocks of copper fell 275 tonnes to 108,450, tin stocks rose 125 tonnes to 2,105, lead stocks fell 1,300 tonnes to 34,550 and zinc stocks rose 25 tonnes to 57,275. Silver stocks fell 250,000 ounces to 27,32m.

Our Kuala Lumpur correspondent writes: Danuk Paul Leong, the Malaysian Minister of Primary Industries, has made a strong appeal to the U.S. to act judiciously in the release of tin from its stockpile in the current situation of over-supply.

He said he was "heartened" that the General Services Administration had rejected all bids at the first and second fortnightly sales of 500 tonnes each on July 1 and 15,

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Onlooker

A few years ago BHP was heavily dependent upon a rather dull steel market in Australia and its traditional exporting regions. Had the world aluminium industry arrived in Australia at that moment in search of cheap energy in a politically stable country, BHP might have had to remain an embarrassed onlooker. But time has been kind to BHP lately. Unlike many steelmakers of the world it is now enjoying a healthy demand and is producing up to the full capacity of its mills. Even more important, it has an excellent cash flow from the oil it has developed in the Bass Strait with Esso. Last year BHP's oil sales were worth \$210m.

There are several reasons why Australia is becoming the world's most interesting country to aluminium producers and is likely to remain firm favourite at least until the 1990s. The country has a sizeable long-term capital investment in primary production plant to be justified. Australia has some 80 per cent of all the world's bauxite. Most important of all,

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He said he was "heartened" that the General Services Administration had rejected all bids at the first and second fortnightly sales of 500 tonnes each on July 1 and 15,

ended up \$10.5 at \$38 a tonne and cash zinc \$3.5 up at \$295.5 a tonne.

Rises in London Metal Exchange warehouse stocks last week were generally in line with expectations. Stocks of copper fell 275 tonnes to 108,450, tin stocks rose 125 tonnes to 2,105, lead stocks fell 1,300 tonnes to 34,550 and zinc stocks rose 25 tonnes to 57,275. Silver stocks fell 250,000 ounces to 27,32m.

Our Kuala Lumpur correspondent writes: Danuk Paul Leong, the Malaysian Minister of Primary Industries, has made a strong appeal to the U.S. to act judiciously in the release of tin from its stockpile in the current situation of over-supply.

AMERICAN MARKETS

NEW YORK, July 21.

GRAINS, COTTON and soybeans closed sharply lower as light rain extended into many of the distressed growing areas. The livestock complex was mixed, with cattle on feed, light steer buyers in demand, and light steer buyers in demand.

Cocoa advanced slightly on news of a report that the West Africa Technical Institute was responsible for the improvement in the precious metals market.

Potatoes (round whites)—Nov. 80. 80.2 (80.5). March 121.4 (118.4). July 151.4 (148.2).

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EUROPEAN MARKETS

ROTTERDAM, July 21.

Wheat—U.S. No. 2 Hard Winter 13.5 per cent. U.S. No. 2 Hard Winter 13.5 per cent. U.S. No. 2 Hard Winter 13.5 per cent.

Wheat—U.S. No. 2 Hard Winter 13.5 per cent. U.S. No. 2 Hard Winter 13.5 per cent. U.S. No. 2 Hard Winter 13.5 per cent.

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Wheat—U.S. No. 2 Hard Winter 13.5 per cent. U.S. No. 2 Hard Winter 13.5 per cent. U.S. No. 2 Hard Winter 13.5 per cent.

Wheat—U.S. No. 2 Hard Winter 13.5 per

Prudential Life Assurance Co. Ltd.			
Briarcliff, EC2			
Managed Fd.	140.6	158.0	01-247 6533
Cash Fd.	122.7	124.9	—
Fund	140.1	147.5	+2.6
Property Fund	126.2	132.9	—
Equity Fund	133.4	141.5	+0.1
Int. Fund	116.3	122.1	+0.2
Prudential Pensions Limited			
New Barn, EC1M 3NS			
Equity Fd. July 30	133.74	34.76	01-405 9222
Property Fd.	123.76	34.70	—
Int. Fd.	116.3	34.70	—

OFFSHORE & OVERSEAS FUNDS

[illegible][illegible]

Continued on previous page

BB

Balfour Beatty Construction

01-6868700
for industrial building

BRITISH FUNDS

High	Low	Stock	Price	+/-	Yld.	Vol.
"Shorts" (Lives up to Five Years)						
100.00	99.50	Equity 100.00	100.00	0.00	13.10	14.83
99.50	99.00	Treasury 11/15/1982	99.50	-0.50	11.65	14.83
99.00	98.50	Treasury 3/17/1982	99.00	-1.00	11.65	14.83
98.50	98.00	Equity 100.00	98.50	-1.50	10.00	14.83
98.00	97.50	Equity 100.00	98.00	-2.00	8.62	14.83
97.50	97.00	Equity 100.00	97.50	-2.50	8.62	14.83
97.00	96.50	Equity 100.00	97.00	-3.00	8.62	14.83
96.50	96.00	Equity 100.00	96.50	-3.50	8.62	14.83
96.00	95.50	Equity 100.00	96.00	-4.00	8.62	14.83
95.50	95.00	Equity 100.00	95.50	-4.50	8.62	14.83
95.00	94.50	Equity 100.00	95.00	-5.00	8.62	14.83
94.50	94.00	Equity 100.00	94.50	-5.50	8.62	14.83
94.00	93.50	Equity 100.00	94.00	-6.00	8.62	14.83
93.50	93.00	Equity 100.00	93.50	-6.50	8.62	14.83
93.00	92.50	Equity 100.00	93.00	-7.00	8.62	14.83
92.50	92.00	Equity 100.00	92.50	-7.50	8.62	14.83
92.00	91.50	Equity 100.00	92.00	-8.00	8.62	14.83
91.50	91.00	Equity 100.00	91.50	-8.50	8.62	14.83
91.00	90.50	Equity 100.00	91.00	-9.00	8.62	14.83
90.50	90.00	Equity 100.00	90.50	-9.50	8.62	14.83
90.00	89.50	Equity 100.00	90.00	-10.00	8.62	14.83
89.50	89.00	Equity 100.00	89.50	-10.50	8.62	14.83
89.00	88.50	Equity 100.00	89.00	-11.00	8.62	14.83
88.50	88.00	Equity 100.00	88.50	-11.50	8.62	14.83
88.00	87.50	Equity 100.00	88.00	-12.00	8.62	14.83
87.50	87.00	Equity 100.00	87.50	-12.50	8.62	14.83
87.00	86.50	Equity 100.00	87.00	-13.00	8.62	14.83
86.50	86.00	Equity 100.00	86.50	-13.50	8.62	14.83
86.00	85.50	Equity 100.00	86.00	-14.00	8.62	14.83
85.50	85.00	Equity 100.00	85.50	-14.50	8.62	14.83
85.00	84.50	Equity 100.00	85.00	-15.00	8.62	14.83
84.50	84.00	Equity 100.00	84.50	-15.50	8.62	14.83
84.00	83.50	Equity 100.00	84.00	-16.00	8.62	14.83
83.50	83.00	Equity 100.00	83.50	-16.50	8.62	14.83
83.00	82.50	Equity 100.00	83.00	-17.00	8.62	14.83
82.50	82.00	Equity 100.00	82.50	-17.50	8.62	14.83
82.00	81.50	Equity 100.00	82.00	-18.00	8.62	14.83
81.50	81.00	Equity 100.00	81.50	-18.50	8.62	14.83
81.00	80.50	Equity 100.00	81.00	-19.00	8.62	14.83
80.50	80.00	Equity 100.00	80.50	-19.50	8.62	14.83
80.00	79.50	Equity 100.00	80.00	-20.00	8.62	14.83
79.50	79.00	Equity 100.00	79.50	-20.50	8.62	14.83
79.00	78.50	Equity 100.00	79.00	-21.00	8.62	14.83
78.50	78.00	Equity 100.00	78.50	-21.50	8.62	14.83
78.00	77.50	Equity 100.00	78.00	-22.00	8.62	14.83
77.50	77.00	Equity 100.00	77.50	-22.50	8.62	14.83
77.00	76.50	Equity 100.00	77.00	-23.00	8.62	14.83
76.50	76.00	Equity 100.00	76.50	-23.50	8.62	14.83
76.00	75.50	Equity 100.00	76.00	-24.00	8.62	14.83
75.50	75.00	Equity 100.00	75.50	-24.50	8.62	14.83
75.00	74.50	Equity 100.00	75.00	-25.00	8.62	14.83
74.50	74.00	Equity 100.00	74.50	-25.50	8.62	14.83
74.00	73.50	Equity 100.00	74.00	-26.00	8.62	14.83
73.50	73.00	Equity 100.00	73.50	-26.50	8.62	14.83
73.00	72.50	Equity 100.00	73.00	-27.00	8.62	14.83
72.50	72.00	Equity 100.00	72.50	-27.50	8.62	14.83
72.00	71.50	Equity 100.00	72.00	-28.00	8.62	14.83
71.50	71.00	Equity 100.00	71.50	-28.50	8.62	14.83
71.00	70.50	Equity 100.00	71.00	-29.00	8.62	14.83
70.50	70.00	Equity 100.00	70.50	-29.50	8.62	14.83
70.00	69.50	Equity 100.00	70.00	-30.00	8.62	14.83
69.50	69.00	Equity 100.00	69.50	-30.50	8.62	14.83
69.00	68.50	Equity 100.00	69.00	-31.00	8.62	14.83
68.50	68.00	Equity 100.00	68.50	-31.50	8.62	14.83
68.00	67.50	Equity 100.00	68.00	-32.00	8.62	14.83
67.50	67.00	Equity 100.00	67.50	-32.50	8.62	14.83
67.00	66.50	Equity 100.00	67.00	-33.00	8.62	14.83
66.50	66.00	Equity 100.00	66.50	-33.50	8.62	14.83
66.00	65.50	Equity 100.00	66.00	-34.00	8.62	14.83
65.50	65.00	Equity 100.00	65.50	-34.50	8.62	14.83
65.00	64.50	Equity 100.00	65.00	-35.00	8.62	14.83
64.50	64.00	Equity 100.00	64.50	-35.50	8.62	14.83
64.00	63.50	Equity 100.00	64.00	-36.00	8.62	14.83
63.50	63.00	Equity 100.00	63.50	-36.50	8.62	14.83
63.00	62.50	Equity 100.00	63.00	-37.00	8.62	14.83
62.50	62.00	Equity 100.00	62.50	-37.50	8.62	14.83
62.00	61.50	Equity 100.00	62.00	-38.00	8.62	14.83
61.50	61.00	Equity 100.00	61.50	-38.50	8.62	14.83
61.00	60.50	Equity 100.00	61.00	-39.00	8.62	14.83
60.50	60.00	Equity 100.00	60.50	-39.50	8.62	14.83
60.00	59.50	Equity 100.00	60.00	-40.00	8.62	14.83
59.50	59.00	Equity 100.00	59.50	-40.50	8.62	14.83
59.00	58.50	Equity 100.00	59.00	-41.00	8.62	14.83
58.50	58.00	Equity 100.00	58.50	-41.50	8.62	14.83
58.00	57.50	Equity 100.00	58.00	-42.00	8.62	14.83
57.50	57.00	Equity 100.00	57.50	-42.50	8.62	14.83
57.00	56.50	Equity 100.00	57.00	-43.00	8.62	14.83
56.50	56.00	Equity 100.00	56.50	-43.50	8.62	14.83
56.00	55.50	Equity 100.00	56.00	-44.00	8.62	14.83
55.50	55.00	Equity 100.00	55.50	-44.50	8.62	14.83
55.00	54.50	Equity 100.00	55.00	-45.00	8.62	14.83
54.50	54.00	Equity 100.00	54.50	-45.50	8.62	14.83
54.00	53.50	Equity 100.00	54.00	-46.00	8.62	14.83
53.50	53.00	Equity 100.00	53.50	-46.50	8.62	14.83
53.00	52.50	Equity 100.00	53.00	-47.00	8.62	14.83
52.50	52.00	Equity 100.00	52.50	-47.50	8.62	14.83
52.00	51.50	Equity 100.00	52.00	-48.00	8.62	14.83
51.50	51.00	Equity 100.00	51.50	-48.50	8.62	14.83
51.00	50.50	Equity 100.00	51.00	-49.00	8.62	14.83
50.50	50.00	Equity 100.00	50.50	-49.50	8.62	14.83
50.00	49.50	Equity 100.00	50.00	-50.00	8.62	14.83
49.50	49.00	Equity 100.00	49.50	-50.50	8.62	14.83
49.00	48.50	Equity 100.00	49.00	-51.00	8.62	14.83
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48.00	47.50	Equity 100.00	48.00	-52.00	8.62	14.83
47.50	47.00	Equity 100.00	47.50	-52.50	8.62	14.83
47.00	46.50	Equity 100.00	47.00	-53.00	8.62	14.83
46.50	46.00	Equity 100.00	46.50	-53.50	8.62	14.83
46.00	45.50	Equity 100.00	46.00	-54.00	8.62	14.83
45.50	45.00	Equity 100.00	45.50	-54.50	8.62	14.83
45.00	44.50	Equity 100.00	45.00	-55.00	8.62	14.83
44.50	44.00	Equity 100.00	44.50	-55.50	8.62	14.83
44.00	43.50	Equity 100.00	44.00	-56.00	8.62	14.83
43.50	43.00	Equity 100.00	43.50	-56.50	8.62	14.83
43.00	42.50	Equity 100.00	43.00	-57.00	8.62	14.83
42.50	42.00	Equity 100.00	42.50	-57.50	8.62	14.83
42.00	41.50	Equity 100.00	42.00	-58.00	8.62	14.83
41.50	41.00	Equity 100.00	41.50	-58.50	8.62	14.83
41.00	40.50	Equity 100.00	41.00	-59.00	8.62	14.83
40.50	40.00	Equity 100.00	40.50	-59.50	8.62	14.83
40.00	39.50	Equity 100.00	40.00	-60.00	8.62	14.83
39.50	39.00	Equity 100.00	39.50	-60.50	8.62	14.83
39.00	38.50	Equity 100.00	39.00	-61.00	8.62	14.83
38.50	38.00	Equity 100.00	38.50	-61.50	8.62	14.83
38.00	37.50	Equity 100.00	38.00	-62.00	8.62	14.83
37.50	37.00	Equity 100.00	37.50	-62.50	8.62	14.83
37.00	36.50	Equity 100.00	37.00	-63.00	8.62	14.83
36.50	36.00	Equity 100.00	36.50	-63.50	8.62	14.83
36.00	35.50	Equity 100.00	36.00	-64.00	8.62	14.83
35.50	35.00	Equity 100.00	35.50	-64.50	8.62	14.83
35.00	34.50	Equity 100.00	35.00	-65.00	8.62	14.83
34.50	34.00	Equity 100.00	34.50	-65.50	8.62	14.83
34.00	33.50	Equity 100.00	34.00	-66.00	8.62	14.83
33.50	33.00	Equity 100.00	33.50	-66.50	8.62	14.83
33.00	32.50	Equity 100.00	33.00	-67.00	8.62	14.83
32.50	32.00	Equity 100.00	32.50	-67.50	8.62	14.83
32.00	31.50	Equity 100.00	32.00	-68.00	8.62	14.83
31.50	31.00	Equity 100.00	31.50	-68.50	8.62	14.83
31.00	30.50	Equity 100.00	31.00	-69.00	8.62	14.83
30.50	30.00	Equity 100.00	30.50	-69.50	8.62	14.83
30.00	29.50	Equity 100.00	30.00	-70.00	8.62	14.83
29.50	29.00	Equity 100.00	29.50	-70.50	8.62	14.83
29.00	28.50	Equity 100.00	29.00	-71.00	8.62	14.83
28.50	28.00	Equity 100.00	28.50	-71.50	8.62	14.83
28.00	27.50	Equity 100.00	28.00	-72.00	8.62	14.83
27.50	27.00	Equity 100.00	27.50	-72.50	8.62	14.83
27.00	26.50	Equity 100.00	27.00	-73.00	8.62	14.83
26.50	26.00	Equity 100.00	26.50	-73.50	8.62	14.83
26.00	25.50	Equity 100.00	26.00	-74.00	8.62	14.83
25.50	25.00	Equity 100.00	25.50	-74.50	8.62	14.83
25.00	24.50	Equity 100.00	25.00	-75.00	8.62	14.83
24.50	24.00	Equity 100.00	24.50	-75.50	8.62	14.83
24.00	23.50	Equity 100.00	24.00	-76.00	8.62	14.83
23.50	23.00	Equity 100.00	23.50	-76.50	8.62	14.83
23.00	22.50	Equity 100.00	23.00	-77.00	8.62	14.83
22.50	22.00	Equity 100.00	22.50	-77.50	8.62	14.83
22.00	21.50	Equity 100.00	22.00	-78.00	8.62	14.83
21.50	21.00	Equity 100.00	21.50	-78.50	8.62	14.83
21.00	20.50	Equity 100.00	21.00	-79.00		

